Final Edition ESTABLISHED OVER 100 YEARS In 2 Sections—Section 1

NOV 10 1944

The Commercial and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 160 Number 4332 New York, N. Y., Thursday, November 9, 1944 Price 60 Cents a Copy

FDR Elected To Fourth Term

Re-elected as President, Franklin D. Roosevelt has been chosen to serve the nation for another term of four years. At Tuesday's national election, Nov. 7, President Roosevelt defeated his Republican opponent, Thomas E. Dewey, Governor of New York.

President Roosevelt

The Associated Press, pointing out on Nov. 8 that the Democratic Party forged ahead toward an electoral triumph at the Capitol as well as at the White House, stated:

"Smashing yesterday's [Nov. 7] Republican prediction that the Administration would lose control of both Houses of Congress, the Democrats made certain of a Senate majority with votes to spare, and snatched 16 seats from the Republicans in the House while losing only two of their own.

"With 12 Senate races still to be decided, Democrats counted 51 certain Senate seats compared with 58 they hold in the present session. The Republicans tallied up 32, counting holdovers, con-

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Post-War Jobs and International Relations

By EUGENE VAN CLEEF
The Ohio State University

Writer Maintains That Post-War Growth of Foreign Trade Will Be Only Temporary and Will Not Supply a Permanent Basis for Increased Employment. Looks for Industrialization Abroad as Reducing Foreign Demand for American Goods and Points Out Possibility of Renewal of Import Restrictions. Recommends Creation of a Permanent Federal Commission Whose Duty Will Be to Study Undeveloped Regions and To Encourage Direct Investment in Places Providing Raw Materials and Finished Goods Markets.

Unless we in the United States analyze the probable post-war scramble for trade among the world's nations in a rather cold-blooded feet-on-the-ground matter-of-fact manner many of our people are doomed to disappointment. It is well that we argue against post-war isolationism and that our leaders seek to direct our thinking in the post-war years toward a desirable awareness of our forthcoming world responsibilities. Nevertheless, it is equally essential for our own future well-being that we recognize the limitations of world trade and their consequent repercussions upon the job situation. I refer to world trade not as a minor incident in international relations but in recognition of the vital part which it plays in the relations among nations. So let us first look at those factors which underlie foreign or world trade.

Dr. E. Van Cleef

Why do we trade across inter-

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The Financier's Position In Consumer Credit

By K. R. CRAVENS*
Chairman, Committee on Consumer Credit, American Bankers Ass'n
Vice-President, Mercantile-Commerce Bank & Trust Co., St. Louis

Banker Predicts Large Post-War Consumer Credit Demand but Holds Temporary Shortage of Consumers' Durable Goods Will Deter Instalment Purchases. Views Need for Consumer Goods as Astronomical and as Consumer Credit Facilitates Consumption, Banks Will Be Ready to Extend Consumer Credit. Asserts He Has No Real Concern That the Nation Will Become Mired in a Colossal Consumer Credit Debt and Sees No Danger in Removal of Government Controls at End of War.

The purpose of this conference has been defined in part as: (a) To provide more jobs in the post-war era, and (b) To serve the interests of the distributive industries. To a very great extent, consumer credit can play an important part in achieving both of these objectives. Production and distribution depend entirely upon consumption, and consumption in turn, depends upon demand and purchasing power. Consumer purchasing power leans heavily upon consumer credit, particularly with respect to con-

Kenton R. Cravens

*An address by Mr. Cravens before the National Marketing Conference of the Chamber of Commerce of the United States in New York City on Oct. 27, 1944.

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Railroads vs. Industrials--Post-War

By PATRICK B. McGINNIS*

Railroad Expert Ascribes the Widening Price Spread Between Rails and Industrials as Due More to Non-Payment of Dividends Than to Poor Railroad Earnings. Holds Rails Will Follow Trend of Industrials and Because of Reduced Capitalization Due to Reorganizations and Debt Reductions the Rails Are Now in Better Financial Condition. Considers Rail Bonds, Particularly the New "Incomes," Are Cheap and Asserts Competition of the Market Does Not Ever Prove Anything and What the Crowd Wants Never Creates Quality.

Patrick B. McGinnis

Eleven years ago, last month, the Dow-Jones railroad averages sold at about 39. Eleven years ago the same time the Dow-Jones industrial averages sold at about 80. Today the railroad Dow-Jones Averages closed up about $2 from that 11-year price, and the industrial averages closed today at about 147, up from 80 11 years ago. The price spread now, of 105 points, between the Dow-Jones Railroad averages and the Dow-Jones Industrial averages, would seem to indicate that the industrials in this country can be prosperous in the post-war period; and the same set of conditions will cause the ruin of railroad industry; and this afternoon, among other things, I am going to attempt to prove to you that in my opinion the spread is

*An extemporaneous address by Mr. McGinnis, a partner of Pflugfelder, Bampton & Rust, Members of the New York Stock Exchange, before the Association of Customers Brokers in the Governors' Room of the N. Y. Stock Exch., Nov. 1, 1944.

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The Manufacturer's Position In Price Control

By HOWARD E. BLOOD*

Chairman, National Association of Manufacturers
President, Norge Division, Borg-Warner Corporation, Detroit

Industrialist Attacks Proposed Policy of Office of Price Administration to Limit Post-War Prices on Certain Manufactured Equipment to 1942 Levels. Claims this Policy Will Mean Profit Control. Says Costs of Raw Materials Have Increased and Labor Productivity Has Decreased and Maintains that Profit Differentials Must Be Maintained if Private Enterprise Is to Continue and Full Employment Be Accomplished.

At the start, I should like to point out that the manufacturer's interest in reconversion and demobilization does not end with the solution to his own manufacturing problems. His interest extends through his channels of distribution, and clear into the homes of the people who buy his products; it extends into the homes of the people whom he employs. For rapid or slow reconversion, rapid or slow reemployment of the boys demobilized from war industries and those who come home from overseas, will importantly affect the fortunes of almost everyone in our great land.


Howard E. Blood

The statement recently attributed to Vice President Wallace, that manufacturers had to be dragged into war production by the scruff of their necks, was an obvious falsehood. I know of no manufacturers who were not eager to contribute their utmost to war production, but I know of many who suffered inconceivable delays while confusion reigned at the top and of many who went ahead at their own risk and before they had contracts—and thus saved time and bloodshed.

And now we seem to have reached the peak of war production demands and possibly to be very near the time when, even before final victory, war production must be cut back 40%, 50%, yes, maybe 60 to 75%.

Anyone who can do anything

*An address made by Mr. Blood before the Chamber of Commerce of the United States Marketing Conference in New York City, Oct. 23, 1944.

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Chas. B. White Co. Reopens in Houston

HOUSTON, TEX.—Charles B. White, after two years on war duty, is reopening his investment business in the Second National Bank Building, under the name of Charles B. White & Co.

T. M. Huston With Kaiser

SAN FRANCISCO, CALIF.—Thomas McColl Huston has become associated with Kaiser & Co., Russ Building, members of the New York and San Francisco Stock Exchanges.

Vice-President Wallace Proposes Tax Exemption For New Investment

In an address delivered at a dinner given by "Business Men For Roosevelt" at the Hotel Commodore on Nov. 2, and entitled "The New World of Business," Vice-President Henry A. Wallace, after stating that "private control of the tools of industry must not be permitted through whim or anger or avarice to lock the gates while men starve," expressed the belief that "our American system of free enterprise may provide adequate jobs, if there is sufficient imagination and confidence among business leaders and their bankers."


Henry A. Wallace

Among "concrete proposals" for expanding business, "with jobs and plenty", he listed in addition to "a tripled and even quadrupled foreign trade, a clear road ahead for inventive genius and enterprise, wherever found, which is willing to devote itself to enriching the world with goods and services."

Continuing Mr. Wallace said:

"Specifically, any business, old and new, seeking to expand should have tax incentive to accomplish its purpose.

"All capital invested in genuine new enterprise should be income tax free for a period of five years or until the owner of such capital has received his investment back in the form of profit, either through income or sale, provided the investment is one in which two-thirds of the capital is spent on labor or materials. Business should be permitted to write off up to 20% in any one year its investment in machinery or buildings, provided these amounts shall be spent within a specified time for new facilities. Railroads should be given tax incentives to modernize. For the sake of young and growing businesses the excess profits tax should be eliminated as soon as possible.

"Many a small business, honestly capitalized, cannot expand because the tax gatherer hurts the little man with a big idea more than the big man with no idea. There are thousands of cases where small business men have had to pay up to 95% of their annual profits in taxation. They do so gladly in war, but in time of peace such men want to go ahead. They have proven their effectiveness. They want to grow. A wise government will stimulate by taxation the sluggish and the miserly, big or little, so that risk capital can be gotten back into productivity and growth before the taxgatherer takes it all. In the long run under such politics the tax gatherer will get more not less.

"I trust the next Congress will take care of this most glaring of all road blocks to true free enterprise."

The COMMERCIAL and FINANCIAL CHRONICLE
Reg. U. S. Patent Office
William B. Dana Company
Publishers
25 Spruce Street, New York 8
BEekman 3-3341
Herbert D. Seibert,
Editor and Publisher
William Dana Seibert, *President*
William D. Riggs, *Business Manager*
Thursday, November 9, 1944
Published twice a week every Thursday
(*general news and advertising issue*)
and every Monday
(*complete statistical issue—market quotation records, corporation, banking, clearings, state and city news, etc.*)
Other Offices: 135 S. La Salle St., Chicago 3, Ill. (Telephone: State 0613) 1 Drapers' Gardens, London, E. C., England, c/o Edwards & Smith.

Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 3, 1879.
Subscriptions in United States and Possessions, $26.00 per year; in Dominion of Canada, $27.50 per year; South and Central America, Spain, Mexico and Cuba, $29.50 per year; Great Britain, Continental Europe (except Spain), Asia, Australia and Africa, $31.00 per year.
Other Publications
Bank and Quotation Record—Mth. $20 yr.
Monthly Earnings Record—Mth....$20 yr.
NOTE—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

Some Problems of Reconversion

By JOHN M. HANCOCK*
Partner, Lehman Brothers

Co-Author With Bernard M. Baruch of Report on Post-War Readjustment Favors Early Relaxation of Controls, Revision of Corporate Taxes, Quick Disposition of Surplus Property To Avoid Any Trend Toward State Socialism, and a Synthetic Rubber Program Which Will Have the Idea of Never Exposing This Country Again to a Japanese Invasion of Malaya.

I have not prepared a talk for you, but I brought a ticket along, and I am reminded of Lord Riddle, a great British publicist, who came over here in 1926 to the Naval Disarmament Conference in Washington. He really was much in demand. One Sunday morning he found himself on a train leaving Washington to make an address. He sat down in the club car, got out the rotogravure section, and to his surprise, he found his picture in the paper. He was comfortable as he read the paper. The conductor came along and asked for tickets. Lord Riddle began fishing in his pockets and he couldn't find any. So then the conductor said: "You're Lord Riddle, aren't you? I saw your picture in the paper."

"Yes, I am."

"Then it's all right with me if you haven't a ticket."

"It may be all right with you, but if I haven't a ticket I'm in a hell of a fix, because I don't know where I'm going!"

I told your Director I would talk for a limited period of time, and I found myself in the diffi-


John M. Hancock

*An address made by Mr. Hancock before the Boston Conference on Distribution, Boston, Oct. 16, 1944.

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Treanor Would Revolutionize Over-Counter Securities Business

Director of Trading and Exchange Division, Speaking for Himself and Not As an SEC Official, Advocates "Full Disclosure" (Equivalent to Disclosing Wholesale Price in Other Lines of Business) in Over-the-Counter Security Transactions. Thinks Decline in Activities of Regional Exchanges Is Due to Usurpation of Over-the-Counter Dealers Who Do Not Want a Competing Auction Market. Contends Dealers in Reality Act As Agents and Should Be Regulated As Such.

Speaking "off the record" and not as an SEC official at the New York School for Social Research in New York City on Nov. 5, James A. Treanor, Jr., Director, Trading and Research Division of the Securities and Exchange Commission, claimed that the over-the-counter securities market requires further regulation "for the protection of investors." He asserted that buying and selling at the present time in a "negotiated market" is in the nature of "professional trading." He asserted that where a solicitation is involved in negotiated transactions there should be "full disclosure" by dealers. Holding to the assumption that investors, other than institutional buyers, are "laymen" and should come under the protective wing of the SEC, he maintained that security dealers, whether they buy or sell on their own account or not, are in reality "agents of their customers," and as agents they should not take advantage of their customers' ignorance and should make full disclosure. He stated that opposition to this theory arises from "the fear of some dealers that they cannot justify their profits." On the other hand, he stated that when brokers find they must charge a heavy commission to cover the cost of their services, they make it a practice to assume the position of dealers so as to avoid the disclosure of the commission charges. Hence, he said, there is a switching from the position of broker to dealer, and from dealer to broker.


J. A. Treanor, Jr.

Mr. Treanor stoutly maintained that dealers should make only an amount commensurate with a commission charge, and when asked whether a dealer, who takes the risk of losses as well as gains from the ownership of the securities he deals in, should demand compensation from his customers for losses that he undergoes in transactions, he brushed the question aside by stating that most

(Continued on page 2024)

Weissman of SEC and Cooper, Tax Expert to Speak at New School For Social Research

Rudolph L. Weissman, member of the staff of the SEC, will speak on "Small Business and Venture Capital" at the New School for Social Research, 66 West 12th St., New York City, on Friday evening, Nov. 10, at 8:30. He is Chairman of the weekly series, "Ten Years of the SEC," being given at the New School each Friday through Dec. 15.

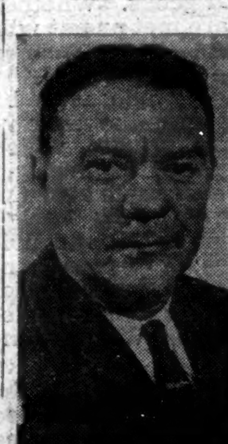
Walter A. Cooper will speak on "Consolidated Returns; Excess Profits Tax Problems" at the New School on Tuesday evening, Nov. 14, at 8:30. Mr. Cooper, who is former Chairman of the Committee on Federal Taxation of the American Institute of Accountants, is one of the tax experts taking part in the weekly tax symposium being conducted by the School. Alex M. Hamburg is Chairman of the symposium.

NHA Estimates Housing Needs

Forecasts Over Twelve Million Non-Farm And Apartment Additional Units In First Post-War Decade.

Construction of 12,600,000 non-farm houses and apartment units will be required in the first post-war decade to meet the needs of American families and to make substantial progress in replacing substandard structures with good homes, the National Housing Agency has estimated.

The estimate was made after careful study and analysis of available information bearing on the problem, NHA said, and John B. Blandford Jr., National Housing Administrator, emphasized that the NHA report is "an earnest effort to judge the size of the nation's housing needs" — not an announcement of a program.


John B. Blandford Jr.

To meet the full need in 10 years would entail replacement of all substandard structures and require 16,100,000 units in all, NHA reported, but the conclusions were based on the premise that the replacement job would probably have to be spread over a 20-year period.

NHA offered an average annual production of 1,260,000 accommodations as a goal that would provide homes for newly formed families, including married soldiers who do not now have a home of their own, as well as all other families who will require new housing during the 10-year period, including those who have been living with relatives or friends for economic reasons, but who may become able to "undouble" and establish independent households.

In addition, it was estimated that such an annual average pro-

(Continued on page 2046)

Financing Foreign Trade

Dr. Nadler Predicts that Private Corporations and Investors Will Continue to Play the Greatest Role in Post-War Foreign Financing. Sees Need for Expanded Exports for Reconstruction and Rehabilitation, and Holds that Our Commercial Banks Are Fully Equipped to Handle Self-Liquidating Transactions in Nations Having Established Banking Systems and Assets.

The greatest role in the financing of foreign trade in the initial post-war period will be played by private corporations, Dr. Marcus Nadler, Assistant Director of the Institute of International Finance at New York University, predicted on Oct. 25, 1944, at a meeting in New York of the Institute on Postwar Reconstruction.

Dr. Marcus Nadler

Dr. Nadler also predicted that the volume of direct investments abroad, if economic and political conditions are sound, will be very large.

"International economic relations among nations can play a decisive role in the preservation of peace in the post-war period," Dr. Nadler stated. "If they are sound they will lead not only to world prosperity accompanied by a constant rise in the standard of living of all nations but also to better relations among them and make possible a drastic reduction in armament expenditures. If on the other hand, they are not sound, they will lead to the adoption of policies based on the philosophy of economic self-sufficiency and bring about a repetition of the events which marked the period between the two world wars.

"It may be taken for granted that the need for foreign trade will be greater than perhaps ever before," continued Dr. Nadler. "There will be the need to reconstruct the war-tattered world. Russia, alone for example, could absorb billions of dollars of imported machinery and equipment to be used for reconstruction purposes. There will be the need for developing the economically retarded areas. China alone, for example, could absorb billions of dollars of capital goods. Whether these demands are met or not will depend on the facilities to finance this trade. The financing of the post-war foreign trade will be carried out through the following channels: (1) private, which includes commercial banks and special institutions created for the purpose of financing foreign trade, investment banks and private corporations; (2) government agencies; and (3) possibly special institutions such as those envisaged at the Bretton Woods Conference.

"The commercial banks of the United States are fully equipped to handle all self-liquidating transactions of countries which have fairly well established banking systems and have assets abroad," he added. "This applies to all Latin American countries, to the Scandinavian countries, as well as to Holland, Belgium, Portugal, France and Great Britain. It is also possible that the commercial banks will grant medium-term loans to the various governments which will at first be secured, as in the case of Holland, but later on, as economic and political conditions become clarified, will be unsecured.

"In the initial stages, shortly after the war, the volume of foreign loans publicly offered in the American market is bound to be limited. A revival of the international capital market can take

(Continued on page 2045)

Edw. A. Viner Co. to Admit J. R. Grymes

J. Randolph Grymes, Jr., member of the New York Stock Exchange, and Amelia I. Viner will be admitted to partnership in Edward A. Viner & Co., 220 Broadway, New York City, members of the New York Stock and Curb Exchanges, as of Nov. 17. Mr. Grymes for many years has been active as an individual floor broker.

Interesting Rail Situations

In the current issue of their "Railroad Securities Quotations," B. W. Pizzini & Co., Inc., 55 Broadway, New York City, discuss briefly three railroad situations which the firm believes are particularly interesting at this time. Copies of the release, which contains guaranteed stock quotations, underlying mortgage railroad bond quotations, reorganization railroad bond quotations, minority stock quotations, and guaranteed telegraph stock quotations, may be had from B. W. Pizzini & Co. upon request.

Attractive Situations

Ward & Co., 120 Broadway, New York City, have prepared circulars on several situations which currently offer attractive possibilities, the firm believes. Copies of these circulars, on the following issues, may be had from Ward & Co. upon request:

Du Mont Laboratories "A"; Merchants Distilling; General Instrument; Great American Industries; Massachusetts Power & Light $2 preferred; Majestic Radio; Magnavox Corp.; Electrolux; Brockway Motors; Scoville Mfg.; Bird & Sons; Cons. Cement "A"; Riley Stoker; Alabama Mills, Inc.; and H. & B. American Machine preferred.

Sir John Anderson Upholds Bretton Woods Agreements

British Chancellor Of The Exchequer In Public Address To Financial London Maintains That Britain's Adherence To International Monetary Fund Will Not Require Restoration Of The Gold Standard.

Speaking at the Lord Mayor's luncheon before the bankers and merchants of the City of London on Oct. 4th, Great Britain's Chancellor of the Exchequer, Sir John Anderson, though admitting that the Bretton Woods Agreements constitute "a difficult document" and that the success of the plan "will depend upon schemes of cooperation in other related fields," reiterated the contention of Lord Keynes that adoption of the agreements will not require Great Britain to return to the old gold standard, and will not impose a system of rigid exchange rates, since it expressly recognizes the need for adjustment of exchange rates to correct disequilibrium. The text of Sir John Anderson's address, which preceded that of Lord Catto, Governor of the Bank of England [latter appeared on page 1705 of Oct. 19 "Chronicle], was reported by the London "Financial News" as follows:

Sir John Anderson

It is customary on this occasion when the Chancellor of the Exchequer stands up before representatives of finance and commerce in the City of London—and I am still bold enough to believe that the City of London will be again the world's centre for finance and commerce—to expect

(Continued on page 2032)

Nichols L. A. Mgr. for Carter H. Corbrey Co.

LOS ANGELES, CALIF.—Carter H. Corbrey & Co. announces that A. E. Nichols has become associated with them as Manager of their Los Angeles office, 650 South Spring Street. Mr. Nichols was formerly with Hill Richards & Co., and Blyth & Co., Inc.

Situation Looks Good

Wellman Engineering Company offers interesting possibilities according to a circular issued by Wm. J. Mericka & Co., Inc., 29 Broadway, New York City, members of the Cleveland Stock Exchange. Copies of this circular may be had from the firm upon request.

Fashion Park Attractive

A detailed study of Fashion Park, Inc., is contained in a special circular prepared by Simons, Linburn & Co., 25 Broad St., New York. Copies of this interesting study may be had from the firm upon request.

R. F. Abbe, Jr., A Member of Security Dealers Ass'n

At a meeting of the Board of Governors of the New York Security Dealers Association, held on Nov. 1, 1944, Richard F. Abbe Jr., Van Tuyl & Abbe, 72 Wall St., New York 5, N. Y., was elected to membership.

International Trade and Bretton Woods

By ANSEL F. LUXFORD*
Assistant General Counsel of the U. S. Treasury

Treasury Official Sees Need for Establishing Economic Peace as Well as Political Peace. Points Out that Bretton Woods Agreements Is Step Toward Eliminating Economic Aggression and Currency Wars Which Handicap International Trade and Bring About Political Disturbances. Predicts that Unless Prompt and Decisive Action Is Taken to Foster International Trade and Economic Reconstruction, Europe Will Undergo Social and Political Disturbances.

It has been a source of wonder to foreign visitors and commentators that in the midst of a great war, the United States can conduct a national election and engage in a—shall we say "vigorous"—political campaign, without interfering with our all out prosecution of the war. I believe I am correct in saying that we alone of the great nations of the world pursue this practice. It is to our credit, that as a people we have the political objectivity and the cool-headedness to be able to wage a war and a political campaign simultaneously without permitting either to suffer as a consequence.

In my mind, this political objectivity is further manifested by the level-headed way you and I can calmly discuss the Bretton Woods Conference just ten days before election.

In our discussion of the Bretton Woods Conference this afternoon, I want to talk about the basic problems which the Conference faced and how the Bretton Woods Agreements propose to deal with them. While both the subject-matter and the Agreements are highly technical, we need not let these technical aspects obscure either the basic problems involved or the proposals made to meet them. In doing this I do not mean to minimize the importance of the technical problems involved, and Mr. Bernstein and I will be most happy to answer any questions at that level which you may care to raise. But in my mind, American policy in this field will be determined on the basis of the fundamental issues involved and not on the basis of technical details.

Foremost among these fundamentals, in my opinion, is the approach this country will adopt in coping with the problems which will face it at the end of the war. I do not believe I am guilty of overstatement when I say that the whole world has witnessed with incredulous wonder America's ca-

*An address made by Mr. Luxford before the New York Board of Trade at the Hotel Astor, New York City, Oct. 27, 1944.

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Tucker, Anthony & Co. Appoints Borkland

Tucker, Anthony & Co., 120 Broadway, New York City, members of the New York Stock Exchange, announce that Ernest W. Borkland, Jr., has been appointed manager of the firm's bond department. Mr. Borkland has been associated with the firm for six years.

Public Utility Securities

American & Foreign Power Recap. Plan

On October 25th American & Foreign Power and its parent, Electric Bond and Share, presented a recapitalization plan to the SEC, replacing all present securities (see table) with the following:

	Amount	Percentage to be Owned by Bond and Share	Public
5% Debentures due 2030	$119,281,200	5.4%	94.6%
Common stock (no par)	2,500,000 shs.	75.9	24.1

The position of the debenture bondholders is not materially altered (including Cuban Electric bonds). In fact, the total parent company debt is increased from about $100,000,000 to $124,281,200, which is advantageous for tax purposes. The reduction of short-term debt to $5,000,000 is also favorable. According to the pro-forma consolidated income account, total system charges (including all deductions from gross income other than parent company preferred dividends) are earned about 1.7 times on a pro-forma basis compared with 1.8 before recapitalization (12 months ended Sept. 30th). Considering the improvement in the general set-up, this change would not seem to reflect any hardship on bondholders.

Stockholders receive the following "packages" for each share of old stock:

	Cash	New Bonds	New Common (Share)
$7 preferred	$20	$80	½
$6 preferred	20	80	3-7
2nd preferred	--	--	½
Common stock	--	--	1-50
Warrants	--	--	--

Taking the new bonds at par, the $7 preferred stock is receiving $100 plus a half share of new common, the latter presumably reflecting the present discounted worth of the arrears if received over a future period of years. The new common stock, which would earn about $3.36 on a consolidated basis, and $2.52 on a parent company basis. Assuming that the present plan should remain unchanged with respect to the second preferred stock (about 84% of which is owned by Bond and Share) the indicated market value of the new common (when issued) would be twice the present value of the second preferred, or about 36. This price would be about 10.7 times consolidated earnings, and the yield (if all parent company earnings were disbursed in dividends) would approximate 7%.

Using the recent market value of the bonds (91), and the hypothetical price of 36 for the new common, stockholders would receive the following:

	Approximate Price ($100 plus arrears)	Estimated Value of "package"
$7 preferred	$96	$111
$6 preferred	92	108
2nd preferred	18	18
Common	3	72c

Total market valuation of parent company securities on this basis would be approximately $110,000,000 bonds and $90,000,000 stock or a total of $200,000,000. Bond and Share is getting about 37% of the latter amount, and public security holders 63%.

The question of the relative rights of Bond and Share and the public security holders to participate in the new capitalization will, of course, be subject to careful investigation by the SEC. Bond and Share has invested about $280,000,000 in Foreign Power, according to the annual report to the SEC. The new common stock equity would represent more than $329,000,000 of cash paid into Foreign Power's treasury, of which Bond and Share furnished about 80% (after completion of plan).

PRESENT CAPITALIZATION

	Total Outstanding	Percentage Owned by Electric Bond and Share	Public
3% serial notes	$30,000,000	100	--
Debentures 5s due 2030	50,000,000	--	100
Preferred stock ($7)	478,995 shs.	2.88	97.12
$6 preferred stock	387,025.65 shs.	17.00	83.00
Second preferred stock	2,569,886 shs.	83.98	16.02
Common stock	2,192,638 shs.	40.20	59.80
Option warrants	6,533,094.80	88.98	11.02

Bertram L. Hames Now With Pacific Company

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Bertram L. Hames has become associated with the Pacific Co. of California, 623 South Spring St. Mr. Hames was formerly with Conrad, Bruce & Co. and Buckley Brothers. In the past he conducted his own investment company in Los Angeles.

Gov. Dewey Extends Congratulations to President Roosevelt on Re-Election

Gov. Thomas E. Dewey, Republican nominee for President, conceded in the early morning hours of Nov. 8 the re-election of President Franklin D. Roosevelt for a fourth term, and extended his congratulations to Mr. Roosevelt in a message broadcast to Hyde Park; in thus extending his felicitations, Gov. Dewey said:

"I understand that the President has gone to bed so I have to do it this way, through a microphone."

Thomas E. Dewey

President Roosevelt, though, was not asleep, for shortly after Mr. Dewey had broadcast his congratulations there came a message from Hyde Park, N. Y.

"I thank you," the President wired, "for the statement which I have heard over the air a few minutes ago."

Gov. Dewey's statement congratulating the President was broadcast as follows from New York City:

"It is clear that Mr. Roosevelt has been reelected for a fourth term, and every good American will wholeheartedly accept the will of the people.

"I extend to President Roosevelt my hearty congratulations and my earnest hope that his next term will see speedy victory in the war, the establishment of a lasting peace, and the restoration of tranquility among our people.

"I am deeply grateful for the confidence expressed by so many millions of my fellow citizens and for their labors in the campaign.

"The Republican party emerges from the election revitalized and a great force for the good of the country and for the preservation of free government in America.

"I am confident that all Americans will join me in the devout hope that in the difficult years ahead Divine Providence will guide and protect the President of the United States."

Supreme Court Rebukes Lower Court for Refusing to Heed Congress Order

The U. S. Supreme Court, under a ruling 8 to 0, on Nov. 6 rebuked the U. S. Court of Claims for its decision refusing to heed an order from Congress. An Associated Press dispatch from Washington on Nov. 6, in which this was reported, also had the following to say regarding the case:

The dispute between the judicial and legislative branches originated 17 years ago when a contractor, Allen Pope, sued the United States for $306,000 damages for breach of a contract. The contract covered the construction of a tunnel for the District of Columbia water supply.

The Claims Court allowed Mr. Pope $45,174. Congress then passed a special act, conferring jurisdiction on the Claims Court to hear Mr. Pope's case again—"notwithstanding" any previous court action. Mr. Pope sued for $162,616.

But the Claims Court refused to consider the new suit. It said the act was an unconstitutional infringement upon the Judicial Department of Government. On top of that, the Court said the act purported to decide questions of law which were in the case on its first trial, and to decide most all questions of fact. Mr. Pope appealed to the Supreme Court, contending that the act granted only a new trial in which the Claims Court would be free to decide all questions.

The Department of Justice supported the Claims Court. It told the Supreme Court that "here Congress has directed the (Claims) Court to clothe a legislative conclusion in judicial habiliments, and if such power is conceded to Congress, unwise inroads upon the public treasury may escape either an adequate legislative or judicial check."

But Chief Justice Stone said:

"Congress, by the creation of a legal, in recognition of a moral, obligation to pay petitioner's (Pope's) claims plainly did not encroach upon the judicial function which the Court of Claims had previously exercised in adjudicating that the obligation was not legal. Nor do we think it did so by directing that Court to pass upon petitioner's claims in conformity to the particular rule of liability prescribed by the special act and to give judgment accordingly."

Justice Jackson did not participate in the Supreme Court decision.

Stoker Looks Good

Large potential demands for railroad equipment, both here and abroad, including locomotives dependent upon mechanical stokers, make the outlook for Standard Stoker Co., Inc.; most attractive, according to a recent memorandum on the situation prepared by G. A. Saxton & Co., 70 Pine Street, New York City. Copies may be had from the firm upon request.

Attractive Situations

Common and 6% cumulative convertible preferred of the American Bantam Car and Panama Coca-Cola offer attractive situations according to circulars issued by Hoit, Rose & Troster, 74 Trinity Place, N. Y. City. Copies of these circulars may be had from the firm upon request.

Tomorrow's Markets Walter Whyte Says—

Market expected to make another effort to get above old tops, now that election is over. New attempt may get better results. Bearishness, intensified by election figures, unwarranted.

By WALTER WHYTE

The first reaction of the market to the election results was a down opening. Stocks recovered a little by the noon hour, but neither the rally or the decline had much meat in it.

* * *

It is obvious that yesterday's minor decline was due entirely to the election. Yet it is hard to see why it should have been so. For, even if the majority of Street opinion was for the GOP candidate, the election odds had presaged the results long before the votes were tallied. It might be interesting to note that Wall Street has never been wrong on a major election when the odds were in excess of 2 to 1. It was only when odds ran about 3 to 5 or some such ratio that the outcome was in doubt. But the elections are now behind us and we can go back to the war and post-war planning without busting a blood vessel about who is running things in the White House.

* * *

In last week's column I said that as soon as Nov. 7 had passed the chances were that a rally would occur. Nothing has happened since to change that opinion. The opening decline and the subsequent rally were both without significance. What is important is that during all the past hectic weeks the market has managed to hug the old tops fairly closely. As a matter of cold fact, day to day indications in the recent past have been so jumbled as to be practically meaningless. But a perusal of monthly market changes gives many more indications to the technician.

Since last July, when the familiar industrial average

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Some Recent Developments In Transportation

By R. V. FLETCHER*

Vice-President, Association of American Railroads

Railroad Attorney Attacks Action Of The Department Of Justice In Branding As Illegal Practice of Determining Rates Through Bureaus and Joint Conferences. Maintains Railroads Are Now Subject To Rate Regulation By I. C. C. And Therefore Are Exempt From Anti-Trust Act. Contends Department Of Justice's Policy Is Covert Attack On The I. C. C. Since I. C. C. Has Upheld Prevailing "Conference Method" Of Determining Competitive Rates. Looks For Passage Of The Bulwinkel Bill (H. R. 2720) Which Would Exempt Carriers From The Anti-Trust Law In Fixing Rates.

As we approach the end of the war in Europe, we can begin to visualize the result in the field of transportation of that fine cooperative effort which has so heavily contributed to the phenomenal achievements of our armed forces. The credit does not belong alone to the instrumentalities of transport, nor alone to the shippers and receivers of freight, whether military or civilian. The credit belongs to all those who have participated in the movement of goods, either as owner or as carrier. Particularly should emphasis be placed upon the fact that these factors, acting separately, could not have accomplished the task. It was only by giving practical effect to the zeal for united and cooperative action that this miracle became reality. I do not need, in this presence, to recite again the familiar story of the work of the advisory boards and the committees of traffic men who have labored so earnestly and so patriotically to conserve the nation's car supply and make the freight car do its utmost in the matter of capacity loading and uninterrupted movement. If the history of this epoch in transportation is ever adequately written, it will contain at least one chapter devoted to the labors of these committees of business men, who toiled not only through the day, but often far into the night to make sure that freight cars were being used to the limit of their potential usefulness.

R. V. Fletcher

Whatever may be the differences among us as to many policies and theories, economic and political, we have fought this war abroad and at home as well as one united people, single-minded in our devotion to the principles of freedom. Whatever the future may hold for the industry, the past at least is secure. But we cannot afford complacently to dwell upon the accomplishments of the past, honorable and creditable as they may be. We must face the future, in whose bosom lie the hopes of humanity. It would be a stupid business man indeed who gives no thought to tomorrow. What lies ahead in our American economy when peace has been declared? This is the anxious inquiry of us all.

The railroad industry has shared with practically all other forms of business activity this searching examination of the outlook in the post-war world. Railroad executives are keenly alive to the problems and prospects of the future. They are not unmindful of the competition which the rails will encounter, nor are they unaware of the need for expending large amounts of capital in the process of rehabilitaion and improvements. They are studying these questions diligently and I hope intelligently, with the fixed determination to give the country, after the war, the best railroad service which the country has

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*An address by Mr. Fletcher before the Atlantic States Shippers Advisory Board in New York City, October 5, 1944.

Railroad Securities

The official text of the proposed debt adjustment plan of Baltimore & Ohio is now at hand, having been mailed to bond holders under date of Nov. 1. A number of points not specified in the preliminary announcement of the management have now been clarified. The first of these is with respect to the cumulative feature of contingent interest. It had originally been thought in some quarters that unpaid interest would be cumulative for only three years as has been the custom in most Section 77 reorganizations. Actually, the plan provides that the contingent interest shall be fully cumulative. This improves the status of the junior bonds somewhat although it has not been reflected marketwise since publication of the terms.

The second feature clarified in the official text of the plan is that of sinking funds. At the time of original announcement of the adjustment, sinking fund provisions had not as yet been decided on. The sinking funds will be somewhat more liberal than had been expected. Immediately following the reduced fixed charges there will be a capital fund amounting to the larger of $5,000,000 or 2½% of gross, less charges for amortization and depreciation of property other than equipment. Any part of the capital fund not used by the end of the year will be added back to available income in the following year. Following the capital fund, but before any provision for contingent interest, there will be a prior sinking fund equal to ½% of the aggregate principal of the RFC Note and the extended mortgage bonds. This fund will amount to approximately $1,750,000 a year and will be used for retirement of the RFC Notes, the extended mortgage bonds, or the Refunding & General Mortgage bonds to the extent that the latter are secured by pledge of any of the extended mortgage bonds. Both the capital fund and the prior sinking fund will be cumulative.

The prior sinking fund naturally places the contingent interest moderately further down the scale, but it does improve the position of the senior mortgage bonds. Charges ahead of secured contingent interest will amount to $22,138,000, taking a minimum capital fund of $5,000,000 less depreciation and amortization of way and structures of $3,500,000. The secured contingent interest will amount initially to $3,854,500, representing 60% of the interest on the Refunding & General Mortgage bonds. The other 40% of interest on these bonds will be a fixed charge.

The most junior charge, the unsecured contingent interest, will come directly after secured contingent interest and will amount to $4,023,300. This junior interest will include the entire interest on the Debenture 4½s, 1% interest on the 1st 5s, and 1½% interest on the Southwestern Division 1st 5s. The entire fixed and contingent charges, including the net capital fund and the prior sinking fund, will amount to just about $30,000,000, or some $2,500,000 less than fixed charges alone when the company undertook its original adjustment plan under the Chandler Act in 1938.

In addition to the prior sinking fund there will be another sinking fund equivalent to 50% of the balance of income remaining after payment of all contingent interest charges. Of this sinking fund, half may be diverted to working capital or capital improvements but the remaining 50% must be used for debt retirement. It will be a general fund except that no more than a specified proportion may be utilized for retirement of the Debenture 4½s. Once the total of fixed charges and contingent interest (initially $26,750,000) has been reduced below $22,000,000 this fund need not exceed $750,000 a year. Until these charges have been reduced to $20,000,000 there will be restrictions on dividend payments. Any dividend payments will have to be matched by a similar amount added to the sinking fund.

The plan appears as a thoroughly realistic approach to the problems facing the road and it is generally expected that it will meet with success. On this basis most rail men view the road's Refunding & General Mortgage bonds as being particularly attractive for speculative purposes. Dividend restrictions detract largely from the appeal of the common and preferred stocks, however.

Bright Post-War Prospects

The potentialities of the paint industry after the war are enormous and the prospects for Devoe & Raynolds Company, Inc., appear particularly attractive according to a circular issued by Amott, Baker & Co., Inc., 150 Broadway, New York City. Copies of this circular may be had from the firm upon request.

Swedish Foreign Exchange Regulations Amended

Announcement is made that the Federal Reserve Bank of New York received on Oct. 30 from the Sveriges Riksbank, Stockholm, the following cablegram dated Oct. 29:

"By Government decree Swedish Foreign Exchange regulations have been amended from 30th Oct. 1944 to intensify supervision of transfers of funds between foreign countries and Sweden. Exchange office new regulations imply inter-alia that free Kronor accounts with Swedish banks will be subject to control. Transfers between such accounts belonging to foreign banks in same country are still permitted. Another change in present system is that direct payments in foreign exchange to Sweden in favor of a resident or a non-resident often require approval of exchange office. Because of control system for Dollar payments already in force as a consequence of USA freezing regulations new restrictions do not involve any material change in present arrangement for payments between USA and Sweden. The importation of gold and platinum prohibited. Importation prohibited of US Dollar notes exceeding $50 and sterling notes exceeding £10. Other foreign banknotes may be imported if declared."

Seaboard Of Interest

Sutro Bros. & Co., 120 Broadway, New York City, members of the New York Stock Exchange, have prepared an interesting arbitrage circular on Seaboard Air Line Railway Co. Copies may be had from the firm upon request.

Real Estate Securities

By JOHN WEST

Analysis of Insurance Company Balance Sheet Reflects Confidence in Real Estate Securities

The 99th Annual Report of the New York Life Insurance Co., which is a matter of public record, discloses a very interesting fact, which would seem to confirm an optimistic regard for the future of real estate and the soundness of first mortgage investments. The company investment in first mortgages is shown as over 410 million dollars. For a company with assets of over 3 billion dollars, this investment, although only equal to about 8% of total assets, is, nevertheless, quite significant, we believe, because the amount invested in first mortgages is considerably greater than the amounts invested in any other type of security with the exception of United States Government obligations.

The following table gives the approximate amounts by which the 410 millions invested in real estate mortgages exceeds the investment in other securities:

Bonds—		
State, county and municipal	$323	million
Railroad	140	"
Public utility	55	"
Industrial and misc.	248	"
Stocks—		
Preferred and guaranteed	336	"

A further study of the balance sheet shows that during 1943 new mortgage loans amounting to $40,982,902.63 were added to the portfolio of the company, but in spite of these new purchases, the mortgage loan portfolio showed a net reduction of $4,140,850.72 because of amortizations and other repayments of existing loans. The investment by this company of over 40 million dollars in a 12-month period in real estate mortgages must be a reflection of confidence in the type of investment and the fact that during the same period over $45,000,000 was received by the company as principal repayments on mortgages previously owned tends to prove their good judgment in the selection of such investment media.

Real estate mortgages have always been looked upon favorably by insurance companies. Real estate is part of the backbone of this country and has always been considered as an inflationary hedge. The foregoing analysis is interesting as it reflects, we believe, the confident viewpoint of such a large company in the future.

Many real estate issues are outlined in these columns from time to time. The existing facts are given and often opinions and reasons for possible price appreciation. Many of them can be acquired at considerable discounts. We believe a further investigation into them are warranted.

Majestic Radio to Offer Common Stock

Plant Facilities Enlarged

An offering of 297,500 shares of common stock of Majestic Radio & Television Corporation, is expected early next week. Proceeds from sale by Majestic will be used not in excess of $170,000 for the purpose of calling at $10 per share all of the outstanding 26,016 shares (no par) of preferred stock. Holders of more than 9,000 shares of the preferred, including British Type Investors, Inc. and Empire American Securities Corp., have stated that such stock will be converted into common stock and not presented for redemption. The company stated that it is probable that other holders of preferred will take similar action.

The balance will be used, according to the company, to record, manufacture and sell phonographic records and working equipment.

Proceeds to Majestic on the sale of 95,000 shares of the new stock, upon exercise of options amounting to $112,499 will be added to working capital.

A plant consisting of 146,000 square feet of space and an office building have been leased from Defense Plant Corporation by Majestic for five years with the option of renewal for two years more. The lease may be cancelled by Majestic at the end of the war. The plant, located in St. Charles, Ill., was built originally for the Howard Aircraft Corporation. This plant will be in addition to present facilities, which will be continued as in the past.

Kobbe, Gearhart & Co., Inc., 45 Nassau Street, New York City, is principal underwriter of the new issue.

Available On Request

Schenley Distillers Corporation have prepared an attractive booklet containing the first articles in the series they have been running in the "Financial Chronicle." Copies of this booklet may be had upon request by writing to Mark Merit, in care of Schenley Distillers Corporation, 350 Fifth Ave., New York 1, N. Y.

G. B. Ruddick Dies

Girard B. Ruddick, manager of the underwriting department of Lazard Freres & Co., 44 Wall Street, New York City, died at the Mountainside Hospital in Montclair, N. J. Mr. Ruddick had been associated with Lazard Freres & Co. for the past year. Prior thereto he was in the investment banking department of Smith, Barney & Co.

Treanor Would Revolutionize Over-Counter Securities Business

(Continued from page 2019)

dealers are engaged in "riskless transactions."

One of the points which Mr. Treanor endeavored to put over, but which was vociferously protested by most of his small audience, was that whenever a buyer of securities pays a commission or a profit to the seller, he undergoes a loss, as he does not get the full market value of his purchases. Because when he buys he pays the dealer or the broker, say, a 5% profit or commission, whatever it may be, and when he sells (to a dealer or through a broker) he gets less than the market price, because a profit or commission must be deducted from the amount he receives. Mr. Treanor did not mention the fact that this situation exists in any transaction of purchase and sale done through an intermediary, though he was reminded of that fact by one of his listeners. However, he admitted that "over-the-counter" dealers performed a useful and necessary function.

Mr. Treanor spoke of the decline in the activities of regional securities exchanges, and ascribed it in part to the usurpation of over-the-counter dealers who did not want a competing "auction market." But he admitted that the registration requirements instituted by the SEC for listed securities was an important factor in driving securities away from exchange listing. For these reasons, he thought that corporations whose securities are sold through dealers have an unfair competitive advantage over those that list their securities on an exchange. He made no mention of the fact that over-the-counter dealers can stabilize the market for inactive securities and maintain proper values more effectively than an "auction market." He indirectly advocated that all securities be required to be registered and listed, regardless of the wishes of stockholders or the managers, and even suggested as a means of accomplishing it that business enterprises that issue securities be required to be incorporated under Federal laws.

Throughout his talk, Mr. Treanor took the old political attitude of protecting "the widow and orphan". He apparently assumed that any salesman, dealer or broker who succeeds in gaining the confidence of his customers would take an unfair advantage of that situation. When asked whether he thought that security dealers as a whole were a dishonest and corrupt class, and his reasons for so thinking, Mr. Treanor again reiterated his assertion that security dealers are in reality "agents" and have a confidential relationship with their customers, and therefore should be subject to regulation as such.

NSTA Announces New Committee Chairmen

As of November 6th the following have been appointed Chairmen of various committees of the National Security Traders Association, Inc., by E. E. Parsons, Jr., Wm. J. Mericka & Co., President of the Association:

Henri P. Pulver

Paul I. Moreland

Harold B. Smith

Thomas Graham

J. W. Kingsbury

Willis M. Summers

Publicity—Henri P. Pulver, Goodbody & Co., Chicago, Chairman; T. G. Horsfield, William J. Mericka & Co., Inc., New York City, Vice-Chairman.

Educational—Paul I. Moreland, Allman, Moreland & Co., Detroit.

Advertising—Harold B. Smith, Collin, Norton & Co., New York City.

Municipal—Thomas Graham, The Bankers Bond Co., Inc., Louisville, Ky., Chairman; J. Wallace Kingsbury, Kingsbury & Alvis, New Orleans, Vice-Chairman.

Post-War—Willis M. Summers, Troster, Currie & Summers, New York City.

Membership—Thomas Graham, The Bankers Bond Co., Inc., Louisville, Ky.

Announcement of full committees will be made shortly.

NAM's 49th Congress On Reconversion

The National Association of Manufacturers' 49th Annual Congress of American Industry, Dec. 6, 7 and 8, will be dedicated to planning the reconversion of industry back to peacetime production. It will be called the RECONVERSION CONGRESS OF AMERICAN INDUSTRY and will be held at the Waldorf-Astoria Hotel.

The Congress's theme, "Beyond Victory—A Better Nation," is not an empty, visionary slogan, according to NAM President Robert M. Gaylord, who is President of the Ingersoll Milling Machine Co., Rockford, Ill.

"This is industry's promise for the future," Mr. Gaylord said in announcing dates for the 1944 NAM meeting. "It is our pledge to our fighters, our war-dead and to a nation that looks for a continued demonstration of industrial resourcefulness and leadership." He added:

"When Europe is freed, and we all share the earnest hope that it will be soon, we shall still face a challenge no less epochal than that of Dec. 7, 1941. While we concentrate the weight of our industrial might against our Pacific enemy, we must, at the same time, guide industry and the nation through dangers of the transition period.

"Great question marks hang over our post-war economy. As our contribution toward erasing these question marks, the Reconversion Congress of American Industry offers down-to-earth group discussions and advice from outstanding men in manufacturing, in government and other elements of the national community."

Mr. Gaylord listed these highlights among problems to be discussed:

1, Cutbacks and Layoffs; 2, Veterans' Re-employment and Rehabilitation; 3, Peacetime Production and Jobs; 4, Taxes; 5, World Reconstruction and Foreign Trade; 6, Post-war Distribution; 7, Wage and Labor Policies.

"Other problems of equal importance to manufacturers will be taken up at the Congress," Mr. Gaylord said, "but I want to emphasize this: we are determined that when our fighting men return they will be able to assume their rightful positions at productive jobs in our enterprise system as far as industry can provide them. We are not going to lose sight of our goal of more production, of more goods for more people—which will create jobs."

G. C. Jennings Dead

George C. Jennings, a member of the New York Stock Exchange, died at his home in Fort Lauderdale, Fla. Mr. Jennings, although inactive in business for some months because of failing health, kept his membership in the Stock Exchange and maintained his office at 60 Beaver St. In the past he was a member of the firm of G. C. Jennings & Co. and later of Marks, Laser & Co.

Post-War Jobs and International Relations

(Continued from first page)

national boundaries? At first thought the question seems to be superfluous because the answer seems obvious. Supposedly we have some raw materials or finished goods which we wish to sell and which others are willing to buy. Or others have commodities they wish to sell and we succumb to their persuasive sales arguments and buy. Or is it that some nations find themselves in actual need of certain items which they purchase wherever they can find them? Or may we view this trade as arising out of the production of surpluses which can not be disposed of at home? It is easy to see that the answer to our initial question as to the reason for trading across boundaries is not obvious but in some respects is complicated. We need to distinguish between fundamental elements which give rise to trade and incidental elements which fail to provide a condition of permanence. Only factors which provide for world trade upon an essentially continuous-flow basis can provide for continuous jobs. But before we attempt to record these factors let us review certain currently widespread impressions.

There seems to be a popular belief supported by many businessmen that we shall experience a tremendous business upsurge after the war is ended. The argument runs something like this: Owing to the inability of the masses to replace worn out equipment or to supply normal current needs there already exists the equivalent of a great backlog of orders which will be filled immediately upon the resumption of manufacturing for civilian consumption. In the warring nations suffering great physical damage vast replacements and rebuilding must ensue after the peace. These circumstances will call for continued manufacturing on a scale comparable with that of production for war purposes. Clearly, if this be the case, there should be a continued demand for workers—jobs for millions. Naturally, the same workers will not necessarily remain in the plants now producing products for war. Many of these plants will not be able to use the same men and many of the present employees will wish to engage in other kinds of employment. However, we must not overlook the fact that whereas most of our energies now go into munitions of war, and hence into a form of export, and that some output is provided for lend-lease for civilians abroad and some for civilian consumption in Latin-American and other nations cut off from their pre-war sources of supply, considerable portions of this export market will disappear after the war. But for the sake of argument, let us assume that an equivalent production will occur in order to supply the accumulated needs and to replace at least a portion of the destroyed materials. We should still have to reckon with a return to a so-called normal. That is, this immediate post-war continuation of production can be only temporary, while the problem of employment remains to be solved after our return to more normal ways of life.

After the post-war abnormal production for export runs its course what will be the relation of world trade to jobs? The answer to this question depends upon two things, namely, (1) the fundamental basis for international trade and (2) the attitudes of the respective nations toward each other. As for trade itself we should never lose sight of the fact that, not expecting three-way trade, it consists largely of (1) an exchange of essential needs among nations and (2) an exchange of non-essentials. For us, in the present era, various kinds of raw materials are required which are either produced in inadequate amounts at home or not at all. We need not run through the list. Most persons can name a few of them at least. Now, in order to purchase these materials we must export something, either commodities, services or ideas. Thus the exchange is completed. We can afford to pay in gold for only small amounts, in spite of our vast gold deposits. What is more, many nations from whom we import raw materials have little or no use for the gold and prefer in exchange materials of some kind, manufactured or otherwise. Thus the cycle of trade is activated. Note, this conception is in contrast with that one all too commonly held. Our world trade does not begin with exports but rather with imports. Fundamentally we export not to "make money" but to pay for needed imports of things we do not have. To be sure some trade consists of the exchange of luxury goods and other non-essentials, but were it not for necessities our total trade would lack stability and would probably be of little consequence.

If our philosophy be sound then an appraisal of the relation between world trade and jobs based upon point (1) forces us to the conclusion that the number of jobs in the post-war normal period can not be many more, if any more, than in those years of so-called prosperity in which our exports approached five billions of dollars annually. As our inventive genius enables us to produce synthetics from our own natural resources to replace heretofore imported products, we shall have a smaller export market for we shall buy less from abroad. The same thing goes for other nations. Industrialization spreading throughout the world will not necessarily increase our exports on the theory that such action increases the purchasing power of peoples. Those peoples not only may buy from others but they may be forced to buy from others who have fewer products competitive with their own than have we. This is not to say that for certain individual firms there may not be a healthy increase in business or that the total of the world's international trade may not increase. For a time it probably will grow. Neither does it exclude the possibility of less business for certain firms heretofore active in foreign markets, nor even less business for the United States as a whole. If so, it can mean also *fewer* jobs rather than more.

Before leaving this aspect I hasten to add a qualification or two for the benefit of the dyed-in-the-wool optimists who think we have not yet even scratched the potential market. I have no desire to paint a gloomy picture of our trade future. However, stripped of all its glamorous aspects, that future must be viewed in the light of a shrinking world in which all peoples are becoming more and more enlightened and all are seeking to realize a kind of paradoxical situation, namely, one of increased self-sufficiency while at the same time talking greater international cooperation. I have not said foreign trade will decline at once, nor that the immediate future is dark. I have merely tried to point out that after the pent-up demands and the damages of war have been satisfied, we need not look to foreign trade as a solution for the unemployment problem. Our own trade may slow down while that of others increases. At best, if it did increase by 50%, an improbable figure, the ratio between that trade and our total foreign and domestic trade during the same period would still be little higher than in the past and that would not mean a notable demand for more workers. We must distinguish between a **dollar** increase in our trade and a **worker** increase. In fact, many firms could easily double their foreign sales with no increase in the number of employees.

Let us look at point number two, relative to international attitudes. Will the nations which heretofore have levied tariffs upon imports be willing to lower or erase those tariffs in order to stimulate trade? Will quota restrictions be removed? Will barter arrangements be withdrawn? Will cartel arrangements that monopolize markets be cast aside? Will blocked exchanges be eradicated? Will the exports and imports of the future be handled exclusively by national governments replacing private enterprise—a strong tendency in recent years? Will the nations assume a more tolerant attitude toward each other, substituting compromise for friction and enmities? Will the peoples of the respective nations attempt to understand each other better, appreciate each other's problems and philosophies of life and show more charity toward each other? Upon the answers to these questions depends the future flow of world trade, almost as much as upon the need for certain imports. No one can answer them with assurance. Only time can record the answers. Foreign traders must be not only salesmen but men with an intelligent appreciation of major international problems.

In concluding these observations it will be worth our while to observe certain trends in world trade which may help us to appraise the future. Since the first settlement of the United States our major trade activities have been with Europe. Even today, excepting war abnormalities, from 40 to 45% of our trade is with Europe. The steady decline in percentage during the last century is what we should expect. As our country and the countries of Europe produce increasing numbers of similar commodities there is less basis for trade. All of us seek new markets, many of which are north or south of us rather than east and west. This shift in direction of trade-avenues from east-west to north-south lines is natural, since considerable differences in latitude often make for permanent differences in kinds of raw materials and agricultural productivity. It is unlikely that in the near future the industrial activities of middle and high latitude areas will find much competition from low-latitude industrial development. Nor will the peoples of extra-tropical areas find ways of producing agricultural products and other raw materials competitive with certain kinds yielded by the tropical regions

If we as a nation have a desire to develop foreign trade on a considerable scale or even to maintain the degree of activity which characterized our best years, we shall insist upon a permanent commission, preferably as a part of the U. S. Bureau of Foreign and Domestic Commerce in close alliance with other divisions such as the State Department and the U. S. Department of Agriculture, whose duty it will be to study undeveloped regions of the earth with respect to their potential economic development. In those regions which give promise of development through settlement or otherwise, in such manner as to provide sources of raw materials for us and markets for our finished products, the commission would encourage direct investment of United States capital, not loans to foreign governments, and with the cooperation of local governments, settlement by energetic peoples from various parts of the earth. I do not suggest the displacement of initiative on the part of individual citizens or private capital, but do emphasize the desirability of governmental assistance to achieve a program that individuals alone can not accomplish. The days of large voluntary migrations to unoccupied areas are past. Most of the unoccupied areas of today are not as attractive for settlement as were the United States and Canada is century ago. The United States and Canada were lands located in fairly stimulating climatic regions opposite a continent of virile peoples seeking freedom of action. Furthermore there were no restrictions against settlement in these new lands except the feeble protests of the native Indians. The current approach to expanding markets must take on a new design. We have presented a plan which can contribute to the maintenance of a level of employment although it can not be expected either necessarily to increase employment or to solve any major unemployment problems.

UGI Common Interesting

H. Hentz & Co., Hanover Square, New York City, members of the New York Stock Exchange and other leading national exchanges, have prepared an interesting circular on United Gas Improvement, discussing the attractiveness of the common stock as a long-pull speculation. Copies of this circular may be had from the firm upon request.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

George C. Jennings, member of the Exchange, died on Nov. 1.

Interest of the late W. Maxwell Fuller in W. E. Hutton & Co. ceased as of Oct. 31, 1944.

Interest of the late Morris L. Parrish in Parrish & Co. ceased as of Oct. 31.

Interest of the late Robert K. Wurts in Wurts, Dulles & Co. ceased as of Oct. 31.

Security Transactions From Tax Viewpoint

Vilas & Hickey, 49 Wall Street, New York City, members of the New York Stock and Curb Exchanges, have prepared an interesting booklet of 1944 Security Transactions, from an income tax viewpoint, indicating when to sell, and giving information on income tax tables, capital gains and losses, when-issued sales, and reorganizations. Copies of this booklet and some comments on 10% theory charts may be had from Vilas & Hickey upon request.

Chicago Brevities

To provide funds for post-war expansion into the refrigerator, range and home freezer field, Admiral Corporation proposes to sell 216,000 shares of $1 par value capital stock. Of the 216,000 shares to be offered to the public, 150,000 will be unissued shares and 66,000 will come from the holdings of seven officer-stockholders of the company.

A registration statement covering the proposed sale has been filed with the Securities and Exchange Commission and, it is understood, will be followed by an application to the Chicago Stock Exchange for listing of the stock.

Admiral, peacetime manufacturer of radios, has been engaged since the war exclusively in the production of radar for the armed forces.

* * *

Butler Brothers is also seeking to provide additional capital for its post-war program of diversification and expansion and has called a special meeting of stockholders Dec. 8 to authorize the issuance of 150,000 shares of $100 par 4½% cumulative non-convertible preferred. At the same time, stockholders will be asked to authorize the increase in the par value of the common stock from $10 to $15 a share.

Proceeds from the sale of the new preferred are expected to net not less than $100 a share, or a total of $15,000,000, and will be used to retire the 270,912 outstanding shares of 5% convertible preferred at the redemption price of $31 a share, or an aggregate of $8,398,272, exclusive of accrued dividends.

Balance of the proceeds will be added to working capital, as and if needed. Upon approval of the plan by stockholders, the company expects to issue an initial 100,000 shares of the new preferred, reserving the balance of 50,000 shares as a source of additional working capital later, if needed.

Increase in the par value of the common stock is proposed to improve "the relationship between the amount of the corporation's stated capital and its surplus," T. B. Freeman, President, stated in his letter to stockholders.

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Illinois Central Railroad took the first step in a long-range plan for refinancing when the executive committee of the company declared effective the plan to exchange $8,700,000 of Illinois Central Railroad Co. and Chicago, St. Louis and New Orleans Railroad Co. joint first refunding mortgage 4% bonds, series D, due 1963, for a like amount of outstanding Illinois Central Railroad Leased Line stock certificates.

Details of the long-range re-

(Continued on page 2027)

Smith V.-P. In Charge Of Marsh & McLennan

CHICAGO, ILL.—Laurence S. Kennedy, newly-elected President of Marsh & McLennan, Inc., national insurance brokers and agents, has announced the appointment of Hermon D. Smith as Vice-President in charge of the firm's Chicago office.

Mr. Smith, who had been with the Northern Trust Co., came with Marsh & McLennan in 1928 and has been a Vice-President since 1931. He served as Second Lieutenant in the First World War, and in September, 1942, was appointed Chief of the Price Adjustment Office of the Army Air Fores at Wright Field, Dayton, Ohio. Upon the completion of a special assignment there he returned to Marsh & McLennan, taking up his duties as administrative assistant to Charles Ward Seabury, who is now Chairman of the board.

Mr. Smith is a graduate of Harvard University and is a trustee, director or officer in many business and charitable organizations. He is a trustee of the University of Chicago and President of the Illinois Children's Home and Aid Society. He is also currently a Vice-President of the Chicago Community Fund and a director of both the Community and War Fund of Metropolitan Chicago and the National War Fund.

F. X. Duffy Is With First Securities Co.

(Special to The Financial Chronicle)

CHICAGO, ILL. — Frank X. Duffy has become associated with First Securities Co. of Chicago, 105 South La Salle St. Mr. Duffy has recently been with the Bureau of Yards. In the past he was with Thompson Ross Securities Co. and Merrill Lynch, Pierce, Fenner & Beane.

B. I. Dee With Ross, Browne & Fleming

(Special to The Financial Chronicle)

CHICAGO, ILL.—B. I. Dee has been added to the staff of Ross, Browne & Fleming, 919 North Michigan Avenue.

Chicago Recommendations

Brailsford & Co., 208 South La Salle Street, have prepared up-to-date earnings and current comment on **Chicago North Shore and Milwaukee Railroad**, copies of which are available on request.

Caswell & Co., 120 South La Salle Street, have prepared an interesting circular discussing the attractive post-war outlook for **Central Steel & Wire Co.** Copies of this circular are available from the firm upon request.

Doyle, O'Connor & Co., Inc., 135 South La Salle Street, have prepared a bulletin on **Chicago, South Shore and South Bend Railroad.** Copies may be had from the firm upon request.

Thomson & McKinnon, 231 South La Salle Street, have an interesting discussion of the **Oliver Farm and Cleveland Tractor merger**, which is featured in their Stock Survey. Copies of the Survey will be sent by the firm upon request.

Broker-Dealer Personnel Items

If you contemplate making additions to your personnel please send in particulars to the Editor of The Financial Chronicle for publication in this column.

(Special to The Financial Chronicle)

CHARLOTTE, N. C.—**Thomas W. Haynes**, formerly with McAlister, Smith & Pate, Inc., has become associated with **George I. Griffin**, Insurance Building, Raleigh, N. C.

(Special to The Financial Chronicle)

CLEVELAND, OHIO—**Judson J. Wickham** has become connected with **Ball, Burge & Kraus**, Union Commerce Building. Mr. Wickham was formerly with Hawley, Shepard & Co. and Paine, Webber, Jackson & Curtis.

(Special to The Financial Chronicle)

KANSAS CITY, MO.—**David C. Logan** has joined the staff of **H. O. Peet & Co.**, 23 West 10th Street. Mr. Logan in the past was with Bankamerica Company and Schwabacher & Co. of San Francisco.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**Peter F. Connor** is now with **Bankamerica Company**, 650 South Spring Street.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**Sydonia B. Chance**, previously with C. A. Botzum Co., has been added to the staff of **Nelson Douglass & Co.**, 510 South Spring Street.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**William A. Campbell, Jr.**, is with **E. F. Hutton & Co.**, 623 South Spring Street.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**Geo. M. Evans** has become associated with **Merrill Lynch, Pierce, Fenner & Beane**, 523 West Sixth Street. Mr. Evans was previously with District Bond Co. and Searl-Merrick Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**John A. Armstrong, Jr.**, is with **Dean Witter & Co.**, 634 South Spring Street.

(Special to The Financial Chronicle)

OAKLAND, CALIF.—**George E. Baldry**, in the past with Protected Investors of America, is now connected with **Stephenson, Leydecker & Co.**, 1404 Franklin Street.

(Special to The Financial Chronicle)

ORLANDO, FLA. — **Jack H. Bond** is now affiliated with **Cohu & Torrey**, 26 Wall Street.

(Special to The Financial Chronicle)

PORTLAND, MAINE — **Bayard S. Foye** has rejoined the staff of **Clifford J. Murphy Co.**, 443 Congress Street.

(Special to The Financial Chronicle)

PORTLAND, MAINE—**John C. King** is now with **J. Arthur Warner & Co.**, Chapman Building.

(Special to The Financial Chronicle)

ST. PETERSBURG, FLA.—**William H. Pugh** is with **Cohu & Torrey**, Florida National Bank Building.

(Special to The Financial Chronicle)

SAN FRANCISCO, CALIF. — **Sydney S. Clark and Frederick S. Weaver** have become associated with **Davies & Mejia**, Russ Building. Mr. Clark was formerly with H. R. Baker & Co. and Bankamerica Co. Mr. Weaver was with Merrill Lynch, Pierce, Fenner & Beane.

Pond, Adams Named For Directors

Harry A. Pond, President of the Plainfield Trust Company of Plainfield, N. J., has been nominated as a candidate for Class A Director of the Federal Reserve Bank of New York, and Charles E. Adams, Chairman of the Air Reduction Co., Inc., of New York, has been nominated as a candidate for Class B Director of the Reserve Bank.

The latter, in its announcement states that the name of Robert G. Cowan, President of the National Newark and Essex Banking Company of Newark, Newark, N. J., was also placed in nomination as a candidate for class A director by a number of member banks, but that Mr. Cowan, has declined the nomination, and has requested that his name be omitted from the list of candidates furnished the member banks. Mr. Pond has been named to succeed William J. Field as class A director, while Mr. Adams has been nominated to succeed Frederick E. Williamson, who resigned in August as class B director because of ill health. Reference to the proposed election of two new directors (the polls will close Nov. 17) was made in our issue of Oct. 12, page 1610.

Wisconsin Brevities

Lehman Brothers, the Wisconsin Co., and Hallgarten & Co. headed a banking group that offered Nov. 2 the unsubscribed part of 99,960 shares of Kimberly-Clark Corp. common stock of no par value not subscribed for by common stockholders. The offering to the public consisted of 2,737 shares at $35.875 a share.

The three underwriters above named also offered and sold the unexchanged portion of 102,424 shares of Kimberly-Clark Corp. 4½% cumulative preferred stock of $100 par, not exchanged by holders of the corporation's present 6% preferred stock. This offering comprised 4,820 shares of stock at $107 a share and accrued dividends from Oct. 1, 1944.

Under subscription rights that expired on Nov. 1, common stockholders could subscribe for one share of common, at $32, for each five shares held. Holders of the 6% cumulative preferred were entitled to exchange one share for 1 3/107 shares of new preferred, plus cash in lieu of fractional shares, and cash representing an adjustment of the difference in dividends.

Current assets as of July 31, 1944, were $71,450,000, including cash of $12,784,000. Current liabilities came to $17,551,000. A year earlier current assets were $57,529,000, including cash of $19,231,000, and current liabilities were $16,161,000.

Earned surplus stood at $27,823,000, the latest date, contrasted with $21,880,000 in 1943.

* * *

A. O. Smith Corp., Milwaukee, has reported a net income for the fiscal year ended July 31 last of $6,407,000, excluding post-war refund of excess profits and before renegotiation of war contracts. On a similar basis the profit for the preceding year was $5,633,000. L. R. Smith, chairman of the board, in his report to stockholders, said that in the latest year the company "established a new peak, both in dollar volume of sales as well as in tonnage of unit quantities produced and shipped."

Net sales for the latest year were listed at $178,112,000 against $173,268,000 in 1943.

* * *

Directors of the Chicago & North Western RR., at a meeting in Chicago, Oct. 31, declared a dividend of $5 a share on the preferred stock for 1944 and $5 on the common, payable from earned surplus accumulated since Jan. 1, 1939, effective date of the plan of reorganization. Both dividends are payable Dec. 30 to stock of record Dec. 1.

* * *

The Parker Pen Co., Janesville, Wis., has declared a regular quarterly dividend of 50c. per share, payable on or before Nov. 25 to stockholders of record Nov. 15.

* * *

Net income of Wisconsin Electric Power Co. for the 12 months ended Sept. 30, 1944, was $4,409,000, of which $1,512,000 was paid in dividends to preferred stockholders, $1,463,000 was paid in dividends to common stockholders and $1,073,000 was retained in the business. Net income for the preceding 12 months was $4,595,000.

Operating revenues for the 12 months ended Sept. 30, 1944, were $33,699,000, an increase of 7.1%. Operating expenses, including taxes and depreciation, aggregated $27,978,000, an increase of 10.3%.

Provisions for taxes amounted to $9,489,199, or 28c. of every dollar received for sales and service, and were $770,537 higher than for the preceding period.

Allen & Co. Offers Foremost Dairies Stock

Public offering of 13,000 shares of 6% cumulative preferred stock, $50 par value, and 75,000 shares of common stock 20 cents par value of Foremost Dairies, Inc., was made Nov. 6 by an underwriting group headed by Allen & Co. The preferred stock is priced to the public at $50 per share and the common stock at $7 per share.

This offering does not represent any new financing on the part of the company as all these shares are presently outstanding. The stock is being sold for the account of J. C. Penney and Paul E. Reinhold who will receive the proceeds therefrom.

Other members of the banking group include George D. B. Bonbright & Co., J. C. Bradford & Co., Buckley Brothers, Courts & Co., G. H. Crawford Co., Inc., R. S. Dickson & Co., Inc., Clement A. Evans & Co., Inc., R. H. Johnson & Co., Johnston, Lemon & Co., Kirchofer & Arnold, Inc., V. M. Manning, Mohawk Valley Investing Co., Inc., Peltason, Tenenbaum Co., Clyde C. Pierce Corporation, Scherck, Richter Co., Varnedoe, Chisholm & Co., Inc., and Weil & Co., Inc.

The company was incorporated in Delaware in 1931. It is engaged in the milk, ice cream and dairy products business, purchasing and marketing under the name "Foremost." The company has 20 plants located in many cities throughout the country.

Net income of the company and subsidiaries, after provision for Federal and State income taxes, amounted to $463,387 for the year 1943, as compared with $390,466 for 1942 and $171,003 for 1941. For the period Jan. 1, 1944 to July 15, 1944 net income aggregated $282,197.

Bright Possibilities

Giant Portland Cement is a low-priced stock in an industry with a bright future and offers interesting possibilities, according to a circular prepared by Lerner & Co., 10 Post Office Square, Boston, Mass. Copies of this circular may be had from Lerner & Co. upon request and also a circular on Riverside Cement class A which the firm believes is an outstanding cement stock with a dividend arrearage.

Brazil Sterling Bonds

New York Hanseatic Corporation, 120 Broadway, New York City, have issued a circular discussing the current situation in Brazilian Sterling Bonds. Copies may be had from the firm upon request.

Chicago Brevities

(Continued from page 2026)

financing plan have not been completed, but financial quarters see in the completion of the exchange of the bonds for the stock certificates a simplification of the corporate structure of the road, which may result in a consolidation of the properties, and in turn permit the future issuance of an over-all uniform mortgage.

* * *

Objections to the proposal of trustees of the Chicago, Rock Island and Pacific Railway that the road pay off $13,718,700 of collateral loans to the Reconstruction Finance Corporation, with interest at 4%, were raised by various groups of bondholders on the ground that such payment would involve a risk that the reorganization plan of the road would not be carried out.

In taking the proposal under advisement, Federal Judge Michael I. Igoe stated that "if it is unlawful to pay this kind of obligation, it is time we found out."

* * *

The Seventh Circuit Court of Appeals cleared the way for consummation of the reorganization plan of the Chicago, Milwaukee, St. Paul and Pacific Railroad by dismissing appeals taken from the revised plan of reorganization of the carrier. Ballots for voting on the proposed plan are already in the hands of Milwaukee security holders and are to be returned to the Interstate Commerce Commission by Nov. 29.

* * *

Development of a new technique in railway financing to overcome the problem of noncallable issues in order to take advantage of the currently favorable money market was foreseen in some financial quarters should Southern Pacific Company's recently announced plan for refunding its outstanding $88,211,000 Central Pacific first refunding 4s of 1949 prove successful.

The plan, filed with the Interstate Commerce Commission, proposes to offer to holders of the first refunding 4s a new bond carrying 4¼% interest to Aug. 1, 1949 and 3½% interest thereafter to maturity in 1974. The offer would be available to the first $50,000,000 of outstanding bonds offered for exchange to Nov. 15 only.

According to some railroad investment quarters, this method of overcoming the obstacle of noncallable rail issues during a period of low money rates would be particularly useful to those roads whose credit over a period of years has not been regarded as first-line, but whose financial position has been considerably improved by effecting heavy debt retirement through utilization of high wartime earnings.

* * *

Speculative interest in Chicago and North Western Railway common was at fever pitch awaiting the dividend action of the board of directors. The board not only declared a $5 a share dividend on the common as well as on the preferred for the current year, but authorized an additional payment of $5,000,000 to the Reconstruction Finance Corporation, reducing its indebtedness to that agency to approximately $6,250,000.

* * *

Trustees of the Chicago Surface Lines, now in bankruptcy, submitted plans to Federal Judge Michael L. Igoe for a modernization program costing between $16,000,000 and $19,000,000, which would increase the seating capacity of the system by 55,000.

Comstock Teletype

Comstock & Co., 231 South La Salle St., Chicago, Ill., have installed a teletype, CG 257.

David Van Alstyne Jr. Buffalo Bolt Director

David Van Alstyne Jr., Van Alstyne, Noel & Co., New York City, and A. D. Armitage were

D. Van Alstyne, Jr.

elected directors of the Buffalo Bolt Co. of North Tonawanda, N. Y., increasing the board to nine members, it was announced by Rudolph B. Flershem, President of the company.

National City Bank Analyzes Farm Price Floors and Export Subsidies

Holds Effect on Cotton and Wheat Has Been the Accumulation of Domestic Stocks and a Shutting-Off of Exports. Points to International Quota Systems and Foreign Retaliation Against "Dumping" and Similar Reprisals as Defeating the Objective Sought.

The November issue of the Monthly Letter of the National City Bank of New York, contains an illuminating and instructive analysis of the Government's farm policies with respect to the support of farm prices through the establishment of "price parities, crop loans and export subsidies." Although the article deals mainly with policies and plans for selling cotton and wheat abroad, it discusses the effects of general measures for domestic price supports and export subsidies.

"The Commodity Credit Corporation," states the article, "has held meetings with representatives of the cotton and wheat trades during the past month, to discuss plans for selling cotton and wheat abroad at prices below the domestic market, the Government bearing the loss. The Corporation is also putting into operation, as fast as the machinery can be set going, its program of buying 1944 cotton from farmers at prices which over the season will average 'parity' (22.13 cents per lb. based on Memphis), and which are above the present market. As noted in this Letter last month, on May 1 next it will pay the parity price, also above the present market, for 1944 crop wheat against which it has made loans to farmers.

"Another item of news during October was the announcement by Secretary of Agriculture Wickard that an agreement has been reached among four countries (United States, Canada, Australia, Argentina) to establish wheat export quotas, whereby each will supply a fixed percentage of the estimated market. The share of the United States will be 16%, which applied to estimated exports by the four countries of 450,000,000 bushels in the crop year 1944-45 will give us a quota of 72,000,000 bushels."

Evolution of Farm Policy

"These apparently disconnected items," the article continues, "are all related. They represent the further development, along lines which many observers have repeatedly forecast, of an agricultural policy which has been evolving for 10 to 15 years. The objective of this policy has been to raise prices for farm products. But price raising measures, instituted to solve one problem, have created other problems requiring new measures. The support of prices above world markets has reduced exports. Loss of exports led to accumulation of stocks, despite crop restriction. Accumulation of stocks leads in turn to export subsidies, and export subsidies to international agreements, involving more crop restriction. Thus the new moves are in straight line of descent from measures taken years ago.

"Price support measures have been extended as time has gone on. During the '30s they took the form of loans to producers at relatively low levels. 'Parity prices' were the goal, but for several years crop loans were limited by law to not under 52 and not over 75% of parity; they were largely permissive instead of mandatory; and they were usually set at or near the minimum. The history of the past four years, however, has been one of steady increase in these loans. In 1941 they were made mandatory at 85% of parity, in 1942 at 90%, and in recent months the rate on cotton has been further raised, first to 92½% and then, for the 1944 crop only, to 95%. Finally the sequence of increases came to its logical end in the Price Stabilization Extension Act of June 30 last, which directed that all lawful action should be taken to assure farmers of prices equal to parity or to the highest price reached between Jan. 1, 1942 and Sept. 15, 1942. The program of purchases of cotton and wheat at parity is being put into effect under this Act.

"With price supports being thus extended, the other steps above mentioned follow naturally. Since the United States produces surpluses of both commodities, and the support prices of both are much above prices of foreign cotton and wheat in the world markets, the effect of maintaining domestic prices is to shut off exports and accumulate stocks in the hands of the Government. To avert unmanageable accumulations and to maintain export markets, export subsidies follow. Limited authority for such subsidies was included in the Agricultural Adjustment Act of 1938, and wheat and cotton subsidies have been paid under that Act. Now Congress—in Section 21 of the Surplus Property Act of 1944, signed by the President Oct. 3—has greatly broadened the authority to sell abroad at a loss. The CCC is preparing to implement this Section.

"The next step in the chain is the international agreement. Selling abroad at prices below the domestic market is "dumping," a policy which other producing countries may resent and which all can follow to the profit of none. The alternative to competition of this kind is to apportion markets, as in the wheat agreement just announced. It can hardly be doubted that a move for an international agreement among cotton producing countries, dividing up the world cotton markets, will follow in due course."

The Cotton Policy

Referring to the future of prices and of exports of cotton, the circular remarks: "After the last war an expansion of cotton growing got under way both in this country, where new lands were put in cultivation notably in West Texas, and to an even greater extent, relatively, in foreign counties. An over-supply developed which during the depression caused a disastrous price collapse. The response of this country to the distress of cotton growers was to support the price and to limit production. This, however, encouraged foreign producers to expand further.

"Before the present war the accumulation of stocks in the hands of our Government — cotton on which loans had been made to growers or which was acquired by foreclosing on loans — together with rising carryovers all over the world, led the then Secretary of Agriculture, Mr. Wallace, to call a conference of cotton producing countries with a view to limiting world production and exports. The conference convened as the Germans were marching into Poland and nothing came of it. A short time previously the United States had established for the first time in its history a subsidy on cotton exports equivalent to 1½¢ a pound.

"The war has immensely increased consumption of cotton within the United States, and the problems which were acute in 1939 became temporarily less pressing. That they still exist, however, and threaten to become acute again, is plain. The war has reduced consumption of foreign cottons, and the carryover of foreign cotton on Aug. 1 of this year was by far the largest on record, 14,800,000 bales compared with 7,500,000 at the outbreak of the war. Thus foreign competition with American cotton will be stronger than ever before. The carryover of American cotton in this country, 10,727,000 bales, also is still far above normal. The figure for all cottons, 25,500,000, is an alltime high and represents nearly one year's normal prewar consumption.

The Export Subsidy

"The second important fact in the current situation is that the price at which the Government is now starting to support cotton is above the world market. It is 3 to 4 cents above the price of equivalent types of Brazilian cotton, delivered in competing markets. Thus the export subsidy which is now to be paid will have to be substantial.

"Among economists it is almost universally agreed that in the long run export subsidies, employed for competitive purposes, are self-defeating and mutually destructive, constituting an international price war. The cotton subsidy, by increasing American exports, will add to the supply of cotton offered in the world market and will depress prices of foreign cottons further, other things being equal. It will invite reprisals, such as new or increased subsidies by other cotton-growing countries. It is in conflict with the liberal trade policies of Secretary Hull and the State Department, and with the established policy of this country, which condems subsidies on goods sold by other countries to the United States and through Section 303 of the Tariff Act of 1930 provides for the levying of additional or countervailing duties on imports of subsidized goods. The wide gap between the price of cotton to spinners at home and the price to spinners of other countries will in due course make it impossible for American cotton manufacturers to export their goods, and will compel new measures to restrict imports of foreign cotton goods. Finally, the money cost is to be considered.

The Congress has not been swayed by the foregoing arguments, but by its determination to maintain the domestic price and hold an export market also. The question raised by its action is whether an international price war will follow, and what steps may be taken to avert it. All other cotton-growing countries will be affected. For about ten years before the war the American cotton policy supported the world price and held an umbrella over the market under which foreign producers expanded their production. The new legislation expresses a decision to hold the umbrella no more. It notifies foreign producers that we are not interested in supporting the world price any longer, but in keeping the domestic price above it.

Chances of an International Agreement

"This notification is the most powerful argument that could be used to bring other countries into an agreement to limit their cotton growing as the United States is doing. On the other hand, they can offer forceful reasons for not making such an agreement. They entered the field with their eyes open at a time when prices were low, confident of their ability to compete with the United States. Some have thought cotton growing of such importance to their economy as to be worth government subsidies for the sake of the employment given and the foreign exchange realized from export sales. They have made investments in land and machinery, and they may feel that alternative crops are less attractive than cotton even at a low world price. Some may argue that it would be difficult to restrict production as much as they may be asked to, just as it has been difficult in the United States.

"Finally, if producers should agree in principle to divide the world market, would they be able to agree on the fair share of each, taking all the above factors into consideration? In the abortive conference of 1939 Secretary Wallace took the position that the fair share of the United States in the world cotton trade was at least 6 million bales. This was a reasonable figure based on past experience, but it was 2,673,000 bales more than the United States had exported in the preceding season. The conference never discovered what countries, in addition to limiting the further growth of their exports, would be willing to reduce their share to allow us to sell 2,673,000 bales more.

"Whether the view of foreign growers will be different now, in light of our new policy, remains to be seen. A late news dispatch says that in Brazil the Minister of Finance has submitted a decree to the President calling for an increase from about 10.9c to 14.8c per pound in the loans which the Brazilian government makes to farmers on cotton, and requiring as a condition that cotton growers plant more food crops. This presumably would have the effect of limiting the cotton acerage. It may be an indication of a changing attitude abroad, or it may be a temporary measure to deal with depressed prices and the excession stock of cotton which has piled up in Brazil during the war.

Dangers of the Policy

"Some of the current comment on the cotton situation implies that if an international agreement could be reached it would overcome most of the practical objections to our policy of supporting prices and restricting crops. An agreement to restrict world production would give the United States, which heretofore has done all the crop restricting itself, either a larger export market or a lower cost in export subsidies than it will otherwise have.

"However, there are other aspects of the question. The objections to crop restriction by arbitrary decisions of an overhead authority, as opposed to voluntary adjustment of production by individual producers under the guidance of price changes, apply whether the policy is followed in one country or in all. The defect of overhead restriction is that governments must treat producers generally alike, without sufficient regard for the differences in their efficiency, their land, and their costs. In our own cotton program the basis of the Government's acreage allocations at first was entirely historical, i. e., the acreage allotments represented fixed percentages of the acreage in a selected base period. Under this plan the individual farmer may hold his poorest land out of production, but there is no distinction between geographical areas. The reduction is applied equally to the fertile areas with high yields and low costs and to the eroded hilly lands with low yields and high costs. On the worn-out lands cotton production should be eliminated entirely, and they should be brought under grass for rehabilitation and for increased output of livestock products, of which much more ought to be consumed locally.

"More lately an effort has been made to take some account of differences in land areas, but the extent to which different producers can be treated differently is limited. On the other hand, when the adjustments are by individual growers under the guidance of prices, the brunt falls on the high-cost producers, which is where it belongs if the industry is to get on a sound economic basis.

"If crop restriction is extended in by international agreement, it will guarantee high-cost countries a share of the world cottton markets and require low-cost countries to restrict their output.

"The purpose of international crop restriction would be to raise prices, but the effect of the higher prices is to reduce consumption. Cotton does not enjoy a monopoly, but is subject to increasing competition from synthetic fibers. World output of rayon and staple fiber is estimated to have reached about 3½ billion pounds in 1942, which is equivalent to 7¼ million bales of cotton even without allowing for the lack of waste in using rayon as compared with cotton. Much of the rayon competes with silk and other textile fibers more than with cotton; nevertheless, the development of synthetics has been a tremendous influence in checking the growth of cotton consumption, and all the evidence is that this development will continue, including an increasing use of rayon in tires. The history of rayon, as of other materials developed through new technical processes, is one of improving qualities at lower prices, and the higher the price of cotton the greater its inroads on cotton consumption can be expected to be.

"This is something for the low-cost producers of cotton to consider. They may be able to grow cotton profitably at lower prices, which will promote the use of cotton relative to competitive fibers. But if national, and possibly international, policies are to hold up prices in order to keep high-cost producers in operation, cotton consumption will be endangered and the low-cost growers will be the ultimate losers."

Goodall-Sanford, Inc. Securities cn Market

Union Securities Corp. and W. C. Langley & Co. headed an underwriting group that offered Nov. 6 $2,800,360 of Goodall-Sanford, Inc. 3½% sinking fund debentures, due 1956, at 103 and accrued interest, and 226,566 2/12 shares of common stock at $22.75 a share. Goodall-Sanford, Inc. is a continuation by merger of the business of Sanford Mills and Goodall Worsted Co. The securities now offered are issued and outstanding and do not represent new financing in behalf of the company.

Outstanding capitalization of Goodall-Sanford, Inc. consists of $4,699,560 of debentures and 555,952.5 shares of common stock.

The company, according to the prospectus, anticipates no serious reconversion problems, because all products made directly or indirectly for war purposes have been manufactured with existing plant and equipment from raw materials similar to those used in its normal business.

Sanford Mills division is normally engaged principally in the manufacture of pile fabrics and their sale to the automobile and railroad industries. It also sells fabrics for use in buses and airplanes. Goodall Worsted division's principal business is in the manufacture of Palm Beach and other cloth partly in the form of finished men's suits and partly to manufacturers of neckties, women's suits, etc.

Situation of Interest

Chicago North Shore & Milwaukee Railroad Co. offers interesting possibilities, according to a descriptive circular being distributed by Brailsford & Co., 208 South La Salle Street, Chicago, Ill., members of the Chicago Stock Exchange. Copies of this circular may be had from Brailsford & Co. upon request.

Bank and Insurance Stocks

This Week—Insurance Stocks

By E. A. VAN DEUSEN

Fire insurance stocks are running behind the market this year. From December 31, 1943 to October 31, 1944 a group of thirty representative fire stocks show an average appreciation of 0.8% compared with an appreciation of 7.8% for industrial stocks, as measured by the Dow Jones industrial average. In view of the uncertainties introduced by the recent Supreme Court decision which classified insurance as "interstate commerce," coupled with a continuation of heavy fire losses, this is not a bad showing and testifies to the high regard in which these equities are held by dealers and investors.

	Asked Price 12-31-43	Asked Price 10-31-44	Change %
Aetna Insurance	54¾	52½	— 4.1
Agricultural Ins.	74	74½	+ 0.7
American Alliance	22¾	24	+ 5.5
American Equity	20	17⅞	—10.6
Bankers & Shippers	87	84½	— 2.9
Boston Insurance	560	630	+12.5
Continental Ins.	46½	48¾	+ 4.8
Fidelity-Phenix	50	53½	+ 7.0
Fire Association	64	65½	+ 2.3
Fireman's Fund	86½	93	+ 7.5
Franklin	29¼	24¾	—15.4
Glens Falls	44¾	45¾	+ 2.2
Great American	28	29⅞	+ 6.7
Hanover Insurance	26½	27⅜	+ 3.3
Hartford	99¾	103½	+ 3.8
Home Insurance	32⅛	29⅜	— 8.6
Ins. Co. of N. A.	81¼	91¼	+12.3
National Fire	58½	61½	+ 5.1
National Union	191	178	— 6.8
New Brunswick	30¾	30¼	— 1.6
New Hampshire	46¾	47¼	+ 1.1
North River	23⅝	23⅝	---
Northern Ins.	93½	87½	— 6.4
Pacific Fire	110½	98½	—10.9
Phoenix	87¾	86¾	— 1.1
Prov. Washington	36⅜	37⅜	+ 2.7
St. Paul F. & M.	59⅝	71¾	+20.3
Security	36⅜	35⅞	— 1.4
Springfield F. & M.	132	126	— 4.5
United States Fire	49½	49½	---
Average of 30			+ 0.8

The accompanying table lists the asked prices of 30 stocks for Dec. 31, 1943 and Oct. 31, 1944, together with the respective market appreciation or depreciation between the two dates. It will be observed that, although the average appreciation is 0.8%, two stocks show no change in price, viz.: North River and United States Fire; 12 stocks show a decline, and 16 stocks show an increase. Franklin shows the greatest loss in price with a decline of 15.4%, and St. Paul Fire & Marine shows the maximum gain with an appreciation of 20.3%. Other outstanding gains are 12.5% for Boston and 12.3% for Insurance Company of North America, while good gains, in excess of 5%, were made by Fireman's Fund, Fidelity-Phenix, Great American, American Alliance and National Fire.

It seems worthwhile to study the wide range and diversity of market performance exhibited in this record, with a view to ascertaining the reason for such disparity in a few especially interesting instances.

In the case of Franklin and of Home, for example, the reason for their decline appears obvious, viz.: the reduction of the annual dividend rate through the elimination of the extras which had heretofore been regularly paid each year since 1936. This dividend action had not been entirely unexpected in view of the fact that their 1942 and 1943 earnings failed to cover total dividend requirements, and also of the probability that 1944 operating results would be insufficient to justify Franklin's $1.40 and Home's $1.60.

St. Paul Fire & Marine, on the other hand, has not only covered dividends in recent years by a generous margin but, furthermore, by reason of its 5-for-1 stock split-up early this year, has brought the price of its shares down to a more popular level, thus increasing their marketability.

The 12.5% appreciation of Boston is difficult to explain, for it is a high-priced stock which is not actively traded and its dividend yield, at 3.3%, is somewhat below average. True, its earnings in recent years have averaged over twice its dividends, except in 1942 when, due to heavy marine losses, they amounted to approximately 50% of dividend requirements.

Insurance Company of North America is one of the strongest companies in the group, which reports consistently good earnings that have averaged well above twice dividend disbursements in recent years. Its consolidated earnings in 1943 were $8.42 per share, or 2.8 times the $3.00 dividend. The 12.3% appreciation of its stock since the first of the year is well merited.

On the other hand, American Equitable has declined 10.6%, in response, undoubtedly, to poor earnings reported in 1943 which amounted to $0.51 per share against a dividend of $1.00. These earnings compare with $1.04 in 1942 and $0.86 in 1941. Over the past five years earnings have aggregated $4.52 and dividends $5.10.

Fidelity-Phenix Fire Insurance stock has been acting well this year with an advance of 7.0%, and justifiably so, for its $2.20 dividends were earned 2.0 times last year, and its dividend coverage has invariably been generous. Springfield Fire & Marine, on the other hand, failed to cover its $4.75 dividend last year, and its stock has gone off 4.5%.

Space does not permit further discussion as to the probable why and wherefore of the respective market moves, up or down, of other stocks in the list. Usually, however, a little searching will disclose what seems to be the likely reason for out-of-line movements by individual stocks.

The Manufacturer's Position In Price Control

(Continued from page 2018)

about getting ready to meet the problems of imminent industrial demobilization and reconversion—and does not do it—is letting his country down on the eve of another great crisis in its history.

The whole process of taking timely and present steps to meet the problems of reconversion, is getting ahead too slow for comfort. All have a part in it — all will be affected by it—

Consumers
Distribution
Production
The Armed Services
The Law Makers
The Executive Branches and Bureaus
The Voters.

In its simplest terms the problem boils down to that of providing promptly enough jobs so we will have the condition called Prosperity.

In order to carry out my assignment here I must try to discuss the problem from the manufacturer's viewpoint, but can really only express the views of one manufacturer — myself — and hope that my thinking is in tune with representative manufacturing opinion.

Just to get our platform straight let me repeat the recognized fundamental that what we must have is volume production and distribution.

The training of the managers of our vital manufacturing industries, be they large or small, has been in the school of free competitive private enterprise. They have not forgotten — even yet — how this system, the only one under which our country has ever had real prosperity and maximum employment in times of peace, and the system which has made living conditions in the United States the envy and the marvel of all other countries — they haven't forgotten, even yet, how free enterprise can stimulate the men and women in production and distribution to high individual productiveness with really earned high wages; how it can produce vast quantities of goods that people want at costs they can pay, and can return to the investor enough wages for the use of his savings to make capital flow to the generation of new industries and to increase and improve the facilities of old ones.

The managers of American manufacturing have a very practical understanding of the things that can and must be done to demobilize and reconvert with the least unemployment gap. Their experience in converting to war production will stand them in good stead. Many improved techniques and materials will be employed as fast as can be. The course that should be followed is clear to these men.

But it isn't as simple as all that. While many obstacles are being cleared away from week to week, Washington bureaus are loathe to let go and fully trust the men who have managed the war production job — with this important task of rapid reemployment—and there is too much fear that manufacturers will neglect their war work without the tight rein of officialdom.

Nature of Tasks

One job that seems well planned so that it will be much better handled than after World War I is Termination of Contracts procedure.

But plans for the rapid clearing from plants of war equipment and inventories are still dragging.

The turning over of many surplus war plants so that they may be used in civilian goods manufacture seems to be in for long delays.

Plans for the orderly disposal of surplus goods and equipment seem to be coming along pretty well.

But freedom to buy and have under way the construction of new and better machinery has been too much delayed.

There has been a beginning of permitting the purchase of materials and component parts in advance of the final plants being available, but in too many cases these releases have been ineffective because people haven't been permitted to accept these orders.

There has been a gesture of permitting experimental and development work to be done, but under such limitations as to make it mostly an ineffectual gesture.

Policies affecting our export business should have been advanced so manufacturers could make intelligent plans and be ready.

The extent to which investment in plants and facilities will be justified depends a good deal on what corporation taxes will be, and how soon any new rules will be in effect.

The policies which will govern price ceilings are of great importance to many manufacturers and continued failure by OPA to get down to price control instead of profit control may seriously delay maximum employment.

For a long time it has been the custom of influential factors in our Government to blame business for all our economic ills. Business should not in turn blame Government for all business ills.

But I believe business opinion is strongly united in an intense desire to preserve our constitutional form of government and in the conviction that the return to free competitive private enterprise is an essential requisite to that end.

And now is the time of all times to get a better understanding on the part of government of what must be done to avoid serious delays in returning to a healthy, prosperous economy.

Of course the impact of demobilization and reconversion varies greatly in different industries. Important industries, having continued to make their peacetime products, have lesser reconversion problems. Others have converted their plants to build radically different war products and are faced with major reconversion problems. Among the latter are almost all of the consumer durable goods industries.

Reconversion and OPA

An OPA spokesman, Mr. Mansfield, says that 12 major products—automobiles and parts, electric refrigerators, washing machines, sewing machines, radios, pianos, phonographs, vacuum cleaners, electric irons, electric toasters, clocks, watches, accounted for 87% of the total sales of metal durable goods in 1941. These industries employ vast numbers of highly paid people and are, most of them, faced with major reconversion problems.

Of especial importance to those industries, to their ability to reemploy and to attract capital for expansion and improvement is the policy of the powerful bureau of Price Control — or, if you please, the Office of Price Administration.

OPA has done a great and good thing in preventing runaway price inflation in these times of relative scarcity and its control is, I believe, needed so long as this relative scarcity continues — but no longer. Staffed originally by such an impractical group of theorists that Congress had to insist on a housecleaning, and seemingly determined to make an obviously immense and complicated job just as immense and complicated as possible, the bureau has nevertheless, done the country a great deal of good.

But even pressure from an enlightened Congress has failed to correct in OPA a dangerous misconception of its function. Their actions prove they still believe they should not only protect the country from unnecessary price rises but should squeeze the unit profit structures and should set individual prices even at the no-profit level whenever manufacturers' overall profit position would, in the judgment of OPA, make that endurable.

Theories of Chester Bowles

This man Chester Bowles is so plausible—such a skillful salesman.

In the Oct. 14 issue of the "Saturday Evening Post" he talks so eloquently about being responsible for rapid and vast reemployment and then leads the public to believe that the durable consumer goods industries need no increase over 1942 prices.

He says that straight time wage rates are up only from 4% to 15% and in the automobile industry only 4½% from 1942, whereas I believe in the most important segments of these industries, actual hourly earnings are up from 25% to 60%.

He says individual productivity has improved, thereby confusing the improvement made in the formerly non-mass production industries, such as aircraft with the already highly mechanized consumer goods industries; and completely ignores the widely recognized fact that the workers in these industries have, to an alarming degree, slowed up, and that we have a major problem in restoring the spirit of individual effort and good old hard work.

He gives the impression that materials will cost no more than before the war. I wish he were my purchasing agent and could make good on that.

He treats very lightly the wages needed by capital to restore the adventure type of investment and the flow of investment into industry which has been so handicapped for so many years and which is so badly needed to provide jobs.

He indulges in the popular government sport of business baiting and sneers at the effectiveness of free competition to hold down prices and at the stupidity of manufacturers who, he says, maintain high unit profits when they could make more money and em-

ploy more people with lower unit profits.

This advertising man, now become an economist and an instructor of tne managers of industry, says in his Oct. 9 news release:

"Most of us think of free enterprise as a system in which prices are set by competition and the law of supply and demand. In too many industries prices were held up artificially in order to provide higher unit profits. Because of this policy, in some industries full production and employment were curbed. In many instances business men pursued a policy of high unit profits based on curtailed production, rather than going after the larger total profits that might have come through larger volume at a lower profit per unit."

Is he referring to the automobile industry where the volume has been so great, the price so low in relation to the value? Is he referring to the refrigerator industry where prices have gone down so fast in so few years and the price wars have rocked the heavens? Or is he just trying to undermine public confidence in free enterprise by talking about a few unnamed and unimportant exceptions?

Then he says—"It is unlikely, after the war, that our people, including 11,000,000 returning servicemen, will long tolerate any economic system which does not provide full production with reasonably full employment at a high standard of wages and farm income."

Personally I agree with that statement, but not with what I understand to be Mr. Bowles connotation. I believe the intelligence and information of our people, including 11,000,000 servicemen, will not much longer tolerate a system which aims to continue to prevent free competitive private enterprise from providing full production with reasonably full employment at a high standard of wages and farm income.

In the "Saturday Evening Post," Mr. Bowles says he is unjustly charged with tinkering with the profit system. Why does he then say in his Oct. 9 news release—

"We will expect absorption of cost increases on less profitable items as well as on more profitable items by industries which manufacture several lines and whose total profits are satisfactory."

Such a policy is not only profit tinkering but must obviously lead to price chaos or to hard going for smaller manufacturers who may not be able to sell at higher prices, even if permitted to do so, than big companies whose prices are held down because their "total profits are satisfactory."

I know the President of a company that has been making, among other things, spring steel teeth for farmers' harrows and hay rakes. His plant is an old established supplier of these articles and I can remember as a boy watching the forges, the sparking hammers and the presses and other machines. Men in this shop have been making the spring teeth for farm implements for generations, and the plant has modern wide-awake management.

During the war their prices have been frozen by OPA and their costs have gone up so much that on some items they are losing as much as 50%. The President of this plant personally took the figures to OPA in Washington and while his facts were not disputed, he was asked to show the statement of overall operations of his business. Discovering that his business as a whole was profitable, OPA refused him permission to increase the prices of spring harrow and hay rake teeth. So he went back home and notified his customers he would no longer manufacture those articles.

This is just one small, very recent case. How many more will there be when the patriotic urge to produce for war is replaced by the desire to produce for jobs and profits—for those two must be teamed up or there will be neither.

Tinkering With Profit System

How dangerous it is for a bureau to claim it is defending the country from a horde of selfish profit seekers when, in fact, it is tinkering with the profit system—and may reduce profits to a point where production will be less, employment will be less, and the forces of inflation rampant, in an out-of-balance economy.

Mr. Bowles is damming up the forces of inflation in categories of the scarcest and most desired goods, to an extent they may burst the dam.

Mr. Bowles leads you to believe that there will be substantially no price increases in consumer durable goods. He refers to his old home town of Essex, Conn., as being a typical reconversion community . . . having three small industries, one of which is piano parts.

But I notice in the newspapers that OPA has granted the piano industry a price increase of 13%. Perhaps this gives the people of his home town some encouragement. But if the increase covers only the actual increase in material and labor, the net margins in the piano business will be a lot thinner than before the war, and I assume this is not one of the industries that formerly maintained inordinate profits or no increase would have been allowed. The piano ruling further provides for hardship relief so that if any piano maker finds he is losing money at the new price, he may have an added increase. The increase in such cases will cover his total cost . . . without any profit?

And by what reasoning does Mr. Bowles find that piano costs have justifiably increased whereas automobiles and other consumer goods have not.

Bowles recently announced that 20 manufacturers of electric irons have agreed to produce 81% of the total allotment at 1942 prices. Thus after about a year's delay since the WPB allocated the materials to build these badly needed irons, OPA has manoeuvred these manufacturers into resuming manufacturing on an unsound economic basis.

In the Chicago "Journal of Commerce" issue of Oct. 7, Mr. H. C. Mansfield, price executive of the consumer durable goods branch of OPA, says—

"Reconversion industries can, like other industries, absorb some or all of the increase in labor and material prices of the last two years or so. Evidence now available to us indicates the probability that reconversion goods prices can be held at, or fairly close to 1942 levels in most cases."

This is great stuff for the public to read in the newspapers.

Perhaps he should have said—

"Reconversion industries can be made by the powerful OPA and by public opinion fostered by them to absorb some or all of the increases in cost of the last two years or so."

Kiplinger says (Oct. 14):

"Prices high enough to cover costs—break even. Then after the output increases, these prices will assure profits—says OPA."

Another case of over-simplification of a vital problem.

Rational Treatment Needed

And yet this whole problem is capable of simplification, of rational treatment. Prices can be set so as to really encourage production, so as to avoid putting pressure on wage reductions, and not be inflationary beyond the extent required for sound recovery of our peace production velocities.

It is only necessary for OPA to respect the historic differentials that have been built up in these durable consumer goods industries.

These goods, before the war, had built into them certain direct labor and direct material costs — and the manufacturer's price represented a differential over this prime cost which was the result of intense competition. OPA in the reconversion period should permit these industries to increase prices enough to maintain this historic percentage differential on the actual prime material and labor cost.

The maintenance of this differential would, in no way, absorb the costs of reconversion nor the temporarily excessive overheads incident to temporarily small production. This treatment would represent a commonsense solution of the problem and would not produce increases in price beyond the minimum that is required to really start the wheels going in the manufacture of civilian goods quickly . . . and confidently.

The same general theory would apply to all scarce goods.

And Mr. Bowles and his cohorts should stop undermining the confidence of the public and of labor in free enterprise itself.

Some of the problems of the automobile industry were ably presented to the National Industrial Conference Board in New York City by George Romney, Managing Director of the Automotive Council for War Production, on Sept. 21, 1944. In his paper Mr. Romney quoted a motto of the late Raymond Clapper:

"Never underestimate the peoples' intelligence; never overestimate their information."

This is a good motto to carry around and look at once in awhile. It's bad business and foolish to think of Congressmen and bureaucrats as dumb . . . no matter how dumb some of them may think we are . . . and no matter how provoked we may sometimes be . . . lets not underestimate their intelligence . . . but lets not overestimate their information. Many business men have commented on how sincerely eager Congressmen are for information. Many of the bureaucrats are also. So lets keep everlastingly at it to bring out the facts.

I also firmly believe that management and labor can get closer together and again become an efficient production team, if management will take the time and trouble to analyze the specific kinds of false teaching and false thinking that are at the root of these troubles . . . and then make plans and carry them out, that will correct these false opinions.

Lets not underestimate the intelligence of the other fellow . . . and lets not overestimate his information.

Mutual Funds

The Nation's Money Supply

Mutual Fund sponsors are keenly aware of the "potential inflation in swollen dollars" as it is described in the current issue of **Keystone Corp.**'s weekly memorandum, **Keynotes.** The presentation in **Keynotes** is one of the best we've seen.

A chart of the nation's money supply extending back to 1895 shows clearly the astronomical levels which have been reached in the last few years. The chart also shows that we financed the first World War with an increase of $12 billion in our money supply; we financed the business growth of the 1920's with an increase of $2.5 billion in the money supply.

"Since this war began we have increased our money supply by $48 billion or 140%.

"These dollars are like banked-down coals in a boiler. If and when the drafts are opened the steam pressure can increase enormously. Commodity prices have increased somewhat, but the tremendous effect of this accumulated purchasing power has not yet begun to be felt.

"Meanwhile, common stock prices are about where they were at the beginning of the war in 1939."

* * *

In the current issue of **National Notes,** another aspect of our money supply is discussed by **National Securities & Research Corp.** Under the heading, "Individual Savings Up 100% in 2½ Years," the letter points out that the reservoir of buying power which was already **$65½ billion** in 1941 is now **$130 billion.**

"Simultaneously with this accumulation of savings there has been a significant decline in debt. Perhaps never before in history have so many people had so much money and credit available for consumer goods."

Why Mutual Funds?

The fundamental reasons for the existence of mutual funds—to give individual investors the advantages of selective diversification and continuous, professional management—are being increasingly underscored by the performance records of the funds themselves. Barron's Quarterly Investment Gauge, covering the period up to Sept. 30, 1944, reports that "Majority of Funds Outpace Market Average in Third Quarter."

Vance, Sanders & Co., in the current issue of **Brevits,** compares the performance of **MIT** with that of seven individual stocks which on Dec. 7, 1933, were recommended unanimously by all of the leading services. The comparison is pertinent because at that time a client had some $25,000 to invest in common stocks and chose the individual issues in preference to **MIT.**

The results over the past 12 years through Oct. 20, 1944, show an average **net loss** of 0.5% in principal for the individual stocks which, in the meantime, have provided a total income of $15,490 on the original investment. In comparison, a similar investment in **MIT** during the same period would have resulted in a **net gain** in principal of $8,303, or 31.4% and would have paid a total of $14,800 in dividends.

* * *

Another interesting comparison of mutual fund performance is presented in the current issue of **Broad Street Sales Corp.**'s letter, **Items.** This letter compares the performance of **National Investors** with that of the 30 individual stocks in the Dow-Jones Industrial Average from March 31, 1937 to Oct. 26, 1944. During that period only four of the individual stocks showed a net gain in price, while losses ranged all the way from 1.5% for General Foods down to 59.4% for American Smelting. Only two of the 30 stocks did better than National Investors which showed a net gain of 2.8% for the period.

In other words, the odds were 15 to 1 against the investor who tried to select a stock in the Dow-Jones Industrial Average which would do well as **National Investors** during the 5½-year period from March, 1937.

Commonwealth Comparison

Another interesting performance record, that of **Commonwealth Investment Co.,** is highlighted in a memorandum from Commonwealth's Management Staff which shows the record of Commonwealth over the past five years in comparison with the results achieved by the Barron's "Widow" prize winners. During the five-year period, Commonwealth showed a net gain in asset value of $63,279 on the $100,000 investment, as compared with an average gain of $8,298 for the eight contest winners. The total income from the $100,000 investment in Commonwealth during the five-year period amounted to $25,671, compared with an average of $21,888 for the eight contest winners.

Not only are the average results strikingly better for **Commonwealth,** but the year-by-year results, which are also tabulated in the memorandum, show that the investor would have been far better off in Commonwealth in any single year during the entire five-year period.

Railroad Stocks

Distributors Group, in a new folder on **Railroad Stock Shares,** makes strong point of the proposition that "railroad common stocks are selling at bargain prices today because investors are still skeptical of their future."

A unique chart presentation of a group of leading railroad stocks shows average earnings and market prices for selected years from 1929 to date and estimates earnings in the first post-war year after reconversion at between $12 and $16 per share, on average.

With these stocks currently selling at approximately $40 a share, on average, they can now be purchased at three to four times estimated post-war earnings.

Investment Company Reports

Keystone Custodian Fund Series B-4—Total net assets increased to $15,184,207 on Sept. 30, 1944, from $11,962,632 a year earlier.

Keystone Custodian Fund Series S-1—Net assets during the fiscal year ended Sept. 30, 1944, more than doubled to reach $1,202,349, as compared with $506,147 the year before.

Combined assets of the 10 **Keystone Funds** as of Nov. 1 amounted to approximately $92,000,000, representing an increase of $27,500,000 during the last 12 months.

New England Fund—Net assets on Sept. 30, 1944, amounted to $2,777,133, equivalent to $13.08 per share.

Mutual Fund Literature

Distributors Group—Current issue of **Steel News,** citing the "Good Post-War Outlook"; a reprint of Barron's September Quarterly Investment Company Gauge, giving comparable performance for the various classes of **Group Securities, Inc.** . . . **National Securities & Research Corp.** — **Current Information** folder revised to November; a memorandum listing portfolio changes on **National** sponsored funds during October. . . . **Keystone Corp.**—Revised portfolio folders on **Keystone B-1, B-2, B-3** and **B-4; Current Data** folder on all **Keystone Funds** revised to Nov. 1, 1944. . . . **Selected Investments Co.** — Current issue of "These Things Seemed Important." . . . **Harriman Ripley & Co.** —Revised prospectus on **Century Shares Trust** dated Nov. 4, 1944.

Over-Counter Review

Bristol & Willett, 115 Broadway, New York City, have prepared the current issue of their "Over - The - Counter Review." Copies may be had from Bristol & Willett upon request.

Sir John Anderson Upholds Bretton Woods Agreements

(Continued from page 2021)

him to say something of interest. Whether that tradition adds to the enjoyment of the other guests, or indeed to that of the Chancellor of the Exchequer, who is honored by the invitation, must be a matter of opinion. But I shall defer to the tradition and try to say something which I hope may be of interest to some of you.

You will not expect me today to make any formal and far-reaching declarations of Government policy. We are meeting in a more intimate atmosphere in which I might, as the phrase goes, "think aloud" on one or two subjects on which in due course decisions will have to be taken.

In doing so I am with your leave going to by-pass the problems of our internal finance. Thanks to the sound lines of policy laid down in the early years of the war and thanks also to the remarkable way in which our people have sustained the great effort which they have been called upon to make, our financial and economic position is today, after five long years of a most exacting war, strong enough to be a legitimate source of pride. In the fifth year of war when our expenditure was higher than ever before, we met a greater proportion of it than in any of the previous four years out of current tax revenue. The very large sums we have had to borrow each year can truly be said to have been raised in ways which have avoided the risks awaiting any Government which must by hook or by crook raise large sums of money in a limited time to meet inescapable obligations. It is I think no mean achievement that out of a total borrowing during the war of nearly £13,000 millions less than 30% took the form of floating debt in the hands of the public; and that in the process of raising over £4,000 millions from the public on medium and long-term securities the terms have steadily improved in favor of the Exchequer.

We are now, when some relief from the burdens of war seems at last to be in sight, contemplating the acceptance of fresh obligations in various directions. It is my duty to see that the Government and Parliament do not accept such obligations without counting the cost. If the people of this country are prepared to work for a better standard of life as they have worked for victory —not with the same intensity but with the same purposeful resolution—all will be well. Any expenditure can be justified which is matched by increased productive efficiency. This is the light in which every new proposal must be judged. I shall have to develop this theme at greater length on some other occasion.

Meanwhile there are other subjects on which I wish to talk to you today and I ask you first to go with me to Bretton Woods in whose pleasant groves my friend Mr. Morgenthau, Secretary of the United States Treasury, summoned the International Monetary Conference. This conference produced a document called the Final Act, which has been published. It is, I confess a difficult document inevitably long and technical. There are some obscurities of language in it which have led to misunderstanding and must be clarified. The time for detailed exposition will come when the whole matter has to be debated in Parliament. But it does seem to me important that while necessary and useful preliminary discussions are taking place in the press and among interested groups, one or two misunderstandings which, unless they are corrected, may darken counsel, should be removed.

The document is the draft of an international agreement which the technical experts of the United Nations submit for favorable consideration by the Governments and legislatures concerned. Neither our Government nor any other Government is in any way committed to acceptance of it.

At the same time, if we find that the United States and other countries important in international trade and finance decide that it is acceptable to them, we must not reject it lightly. If we have to choose between standing out of international institutions or taking a leading part in making them work, particularly when they are institutions for economic cooperation, I have no doubt where our true interest lies. Anyone who doubts this has only to look at the map of the world and see how widely spread our interests are, and with how many countries the frontiers of those interests march.

Moreover, we should betray much of the hope for peace if we failed to carry forward into those difficult years the unity and cooperation that have existed between us and our chief Allies during the war.

The second point I want to make is that the Bretton Woods document explicity recognizes that, while we might agree upon objectives and methods when the world's trade is settling down, countries like our own have to face an extremely difficult period of transition in which they must keep their hands free to deal with their difficulties as they arise and as seems best. It is in our interest to make that transitional period as short as possible and equally, to endeavor while it lasts, to develop our policy so that others will be willing to cooperate with us.

For these reasons the first plea I make with regard to the results of the Bretton Woods Conference is that what was done there should be studied carefully. I say "what was done there" deliberately for some of the criticisms are about the things that were not done there. It is complained that the conference did not deal with commercial policy and the removal of trade barriers, with the stabilization of commodity prices, with schemes for bulk purchases and long-term contracts, and so on. I admit all these criticisms at once, but the answer is that the conference was not summoned to deal with these subjects. It was dealing with the essentials of international monetary policy without which policies of economic cooperation in other parts of the international field could not be sustained. Bretton Woods is not the end of the story. Indeed the success of some parts of the Bretton Woods plan will depend in turn upon schemes of cooperation in other related fields.

I do not want to range too widely today; but there is one point that I must bring to the attention of some of the critics of the Final Act. I mean those who appear to think that the line of safety for us after the war is to reserve our full rights to enter into discriminatory commercial and currency agreements, not only as temporary measure during the transitional period, but permanently. Various ways of achieving this have been suggested and one of the criticisms of the Final Act is that it would prohibit or frown upon such arrangements. Now I think it is doubtful whether in fact the Final Act is decisive on this point, but there is another and wider issue involved. It is an issue of good faith. Under Article VII of the Mutual Aid Agreement, the master agreement under which we

have received assistance of prodigious amount, we agreed to work for the elimination of all forms of discrimination in international commerce. The only qualification was concerned with imperial preference. We are bound by this agreement and we are going to honor it. Incidentally, quite apart from the Mutual Aid Agreement, by our commercial agreement with the United States of 1938 we also accepted a policy of non-discrimination in trade. I would ask those who recommend what is in essence a barter system as the basis for our international trade: do they really wish us to follow a course which goes back on what we have formally agreed with the United States, and flouts one of the principles of international commerce to which the United States Government attach importance, and which as a matter of fact I believe in our own interest is a sound principle? If we discriminate, other people can discriminate. If we indulge in barter, other people can indulge in barter. It is a difficulty in all agreements and contracts that one party cannot have it all his own way.

I commend these issues to your very careful consideration.

I am also told that the Bretton Woods Conference means a return to the gold standard. Now I doubt whether those critics who use the words "gold standard" as a term of approbrium always have a perfectly clear idea of what they mean, but perhaps one can assume that what they are thinking of is a system under which the external value of sterling was fixed, and the internal credit policy was made subservient to the maintenance of that value. To that system, if it ever existed in such a crude form, we do not propose to return. I have not minced my words about that in Parliament.

But it is said that Bretton Woods has tied our exchanges in virtually the same way, whereas the experience between the wars has shown the necessity for flexibility or adaptability in exchange rates.

To read some criticisms one would imagine that Britain's foreign trade fundamentally depends upon exchange rates, which rush up and down almost like a barometer in a cyclone. Now that is nonsense. For a country whose whole economy is widely influenced by international trade, some reasonable stability in the value of sterling is of primary interest. We have not much less interest in the reasonable stability of other peoples exchanges. I do not go the whole way in believing that the greater part of our troubles between the wars was caused by unstable exchanges. Nor do I believe that countries with a major interest in international trade lightly alter their exchange rates. Those alterations disturb internal as well as external values. But there is no doubt that the instability of the exchange rates of some important countries at some periods between the wars was a disturbing factor in international trade. After the huge economic disturbance of this war we must expect difficulties in arriving at equilibrium in the balance of payments.

The Bretton Woods document follows a middle course in this matter. So far from imposing a system of rigid exchange rates, it expressly recognizes the need for adjustment of exchange rates to correct disequilibrium. If we believe it is in our own interests to have a reasonable stability of exchange, but at the same time to have a method for the orderly adjustment of exchanges when the occasion arises, I do not see very well how one could have a very different principle from that stated in the Bretton Woods document.

It is of course true that to a certain extent, we would bring our exchange policy under review by an international body on which we should be represented. But so would every other country. We would not surrender any ultimate right to follow our own policy, but we would accept an obligation to recognize that the adjustment of the exchange value of sterling, or of any other major international currency, is a two ended process and that we owe it to the general interests of international trade to consult with an international institution before we make a change which will affect our commercial, as well as our financial relations, with other countries. For those who are particularly anxious on the question of our freedom to adjust our exchanges, I would commend a study of Section 5 of Article IV of the document, the last paragraph of which makes it obligatory on the management of the fund to allow a change in exchange rates in order to correct a fundamental disequilibrium.

Before the conference at Bretton Woods took place I made it plain that the Government would watch with great care our position with regard to our exchanges. For myself, I am absolutely unimpressed by the loose criticism that, by accepting the plan, we shall have returned to the gold standard in the sense of putting our policy under the dictation of others.

There is much more that has to be said about the Bretton Woods document and I feel confident that it will be said, but for the moment I have chosen these three points—the international aspect of the document, the provisions for the difficulties of the transition, and the treatment of exchange values,—for comment here, before you, who have such wide knowledge and such great responsibility for international commerce.

I should like now to turn to an entirely different subject—the relation between the Government and industry, commerce and finance after the war. You will not expect to find me greatly concerned to test each issue of policy by asking whether this is true private enterprise or that is good Socialism.

I am tempted to think that those who make extreme judgments in these matters overlook one not unimportant motive in human conduct—the ordinary desire to do a job properly for its own sake. An honest ship will found is an honest ship, whether its ultimate owners are a large and scattered body of shareholders or a public authority. Pride of craftsmanship and enterprise are not the sole prerogative either of private or of public trade. Whatever may be the ultimate shape of our economic structure in this country, it is quite clear that after waging a terrible war we shall have too much to do to waste time on sweeping up all private enterprise and turning it into some other kind of enterprise. But private enterprise has a public responsibility. I believe this to be true at any time, but in any case I am certain that it is true for the very difficult conditions of the resettlement of industry and trade in the immediate years after the war. We must all recognize this new partnership and develop it to the full. It will be the duty of the Government to exert itself to achieve conditions in which private enterprise can play its part worthily and well; it will be a big part. But those conditions cannot be achieved unless private enterprise is willing, genuinely and regularly, to consult with the Government on main lines of policy, and to accept the determination of the Government to take a much closer interest in the general lines of industrial and commercial policy than it has taken in the past.

A gathering like this would not seriously wish for any other policy in the situation in which we shall find ourselves. The interest of the Government in private enterprise does not mean interference by the Government at every stage. The closer the voluntary consultation, the less frequent will be the need for interference.

I need hardly remind you of the bearing of taxation policy upon industry and trade after the war. I tried to give some evidence of my own appreciation of this fact in my budget last April. It is part of the public responsibility of the Chancellor of the Exchequer in these days that he must pay continuing attention to the relation between taxation and industry, but speaking quite plainly it will be much easier to ensure that that attention has fruitful results, if trade and industry recognize their public responsibility by close and free consultation with the Government.

Finally I want to say a very brief word about our external financial position after the war. We shall emerge with heavy overseas obligations, but at the same time our credit throughout the world will stand very high. I hope I am not being unorthodox in suggesting at such a gathering that the basis of national credit is the character of the people, their courage, their determination and skill, and above all their productive efficiency. I do not think that anyone need be apprehensive about our possession of these real assets. Now that means that our financial indebtedness can be translated into physical terms of production. I tell you, and I speak under a sense of responsibility, that I believe we can see our way through. We can meet our obligations in a realistic way, that is, by producing the goods that other countries will want. The process will take time, but it depends in the main not upon skillful financial adjustments, but upon the willingness of our own people to recognize that, as they fought their way to freedom, so they can work their way to security and progressive improvement in all their material conditions. It depends also upon the recognition by our creditors that they have a common interest with us and must collaborate. They must be reasonable and not seek to treat war debts on the footing of ordinary commercial obligations. Practically the whole of our external obligations incurred during the war are to our Allies and associates in the war. We have incurred a debt to them—but have they not also incurred some kind of a debt to us which they too can pay, by their confidence in us, which has stood a much sterner test, and by their practical cooperation with us?

Canadian Securities

By BRUCE WILLIAMS

It must be somewhat disconcerting to the political opponents of Mr. Mackenzie King when time after time crises threatening to his Liberal Government are skillfully circumnavigated, and more often than not the Administration emerges in a stronger position than ever.

The latest example of shrewd political maneuvering is demonstrated by the replacement of Col. J. L. Ralston by Gen. Andrew McNaughton in the Cabinet post of Minister of Defense. This event is the culmination of a prolonged controversey as to whether draftees should be compulsorily sent overseas.

Recently, this question had become an embarrassing election issue for the Liberal regime. Disquieting reports were received concerning the dispatch overseas of ill-trained reenforcement units, and it appeared that Mr. King would have to yield at last to Colonel Ralston's insistence on compulsion, which would have led to a renewed flareup of bitter dispute with the Province of Quebec.

However, as it now transpires, the Liberal Government has definitely been strengthened by the inclusion of General McNaughton, one of Canada's most popular public figures, distinguished both as a soldier and a scientist. In the latter field, under General McNaughton's able direction, the National Research Foundation, a Government agency for industrial, mining and agricultural research, has rendered a valuable contribution to the development of the Canadian economy.

Contrary to general expectation, Colonel Ralston's resignation has not yet caused further defection from the Government's ranks. It would appear, therefore, that the overriding consideration of national unity has constrained those ministers who share the former Defense Minister's views from undermining the Liberal cause at this crucial stage on the eve of a Federal election.

Turning to the market for the past week, there was an understandable lack of activity in view of the Seventh Victory Loan. Prices in the high-grade section were practically unchanged but Saskatchewans and Albertas registered declines.

The easier trend in Alberta issues was a result of continued silence as to progress of recent discussions in Toronto concerning plans for the reorganization of the provincial debt. In fairness to the many interested parties in this country, at least a statement should be forthcoming to the effect that negotiations are, or have been, proceeding.

According to rumor, some measure of agreement is understood to have been reached with regard to the basic rate of interest and to a lesser degree concerning back-interest. It would appear that the greatest complication that has arisen is the measure of damage suffered and, therefore, the degree of compensation as between a holder of a past due bond and a holder of a bond that has not yet reached maturity.

Internal issues were in steady demand and there was exceptional interest displayed by individuals in this country in the Seventh Victory Loan, whereas during previous loans this interest had been almost entirely lacking. In addition, funds were still moving northwards in connection with industrial and mining investment and consequently the Canadian dollar in the free market continued firm at 10% discount.

It is interesting to note in this connection that Mr. James A. Robb, a Texas oil expert who was instrumental in arranging funds for the drilling of the first test well in Turner Valley, is returning to Alberta to take further part in drilling operations. The recent completing of a flowing well in the Standard Oil of California Steveville - Princess field, about 130 miles southeast of Calgary, is responsible for this renewed interest. For, according to Mr. Robb and other experts, this discovery of oil in Devonian limestone which underlies 375,000 square miles of the Prairie provinces, occurs under conditions similar to those prevailing in the East Texas fields.

With regard to possible future developments, until the termination next week of the Seventh Victory Loan, little change in the present quiet, steady market pattern can be anticipated.

Kimberly-Clark Stocks Offered

Lehman Bros., the Wisconsin Co., and Hallgarten & Co., headed a group that offered Nov. 3, 2,737 shares of Kimberly-Clark Corp. no-par value common stock at $35⅞ per share. The stock consists of the portion of 99,960 shares not subscribed for by stockholders.

The three underwriters also offered and sold 4,820 shares of Kimberly-Clark 4½% cumulative preferred of $100 par value, at $107 per share and accrued dividends from Oct. 1. This was the portion of 102,424 shares not exchanged by holders of the corporation's present preferred stock.

Under subscription rights that expired Nov. 1, common stockholders could subscribe for one share of common at $32 for each five shares held. Holders of the 6% cumulative preferred were entitled to exchange one share for one and 3-107ths share of new preferred, plus cash in lieu of fractional shares, and cash representing an adjustment of the difference in dividends.

It is expected that $1,850,000 of the net proceeds from the sale of the common stock will be used to reimburse the corporation's general funds for the Canadian plant now in course of construction, and that the balance will be used in the expansion and improvement of manufacturing facilities as wartime restrictions are relaxed. The expansion will include purchase of additional cellulose wadding machines, rebuilding and reequipping paper machines.

Net proceeds from the sale or exchange of the new preferred, together with corporation funds as required, will be used for the redemption of all present preferred stock not exchanged. The new preferred is redeemable prior to Oct. 1, 1947, at $112 per share; thereafter and prior to Oct. 1, 1949, at $110; and thereafter, at $107, plus accrued dividends in each case.

Carrison Back at Desk With Clyde C. Pierce

JACKSONVILLE, FLA. — H. George Carrison, Vice-President of Clyde C. Pierce Corp., Barnett National Bank Bldg., is now back at the trading desk. During his leave of absence from the firm Mr. Carrison was Treasurer and Plan Business Manager of a war contracting firm operating on Army and Navy orders.

Situations Of Interest

F. H. Koller & Co., Inc., 111 Broadway, New York City, have prepared a memoranda on Great American Industries, Laclede Christy Clay Products and Indiana Limestone which the firm believes appear attractive at current levels. Copies of these interesting circulars may be had upon request from F. H. Koller & Co.

"Our Reporter On Governments"

By JOHN T. CHIPPENDALE JR.

There was considerable activity in the Government bond market last week as institutions continued to adjust their portfolios in preparation for the Sixth War Loan. . . . These changes in holdings are the usual happenings prior to the opening of a bond drive, and it is indicated that the banks, insurance companies and other institutions have largely completed the switches in holdings that they had intended making prior to Nov. 20, the beginning of the drive. . . . These portfolio changes involved practically the entire list with the New York banks being sellers of certificates and buyers of bonds, in addition to the bills that were disposed of to Federal. . . . Dealers, according to reports, took on the greater amount of the certificates that were sold by these institutions although some of these obligations, it was learned, went to corporations and out-of-town banks. . . .

The New York banks likewise were the principal buyers of bonds sold by the savings banks, insurance companies and other institutions, and it was reported that both the taxable and partially tax-exempt issues were involved in these transactions. . . .

The New York banks, by selling certificates, were disposing of securities in which only a small amount of profit was involved, so that taxes on profits realized would not be an important factor, while in purchasing bonds income would be increased although maturities would be extended somewhat. . . . The statement of the New York Federal Reserve Bank for the period ended Nov. 1, 1944, showed that certificates declined by $101,000,000 while bond holdings increased by $92,000,000, thus substantiating the dealers' reports of what had been taking place in the Government holdings of these institutions. . . .

TAXABLE 2s IN DEMAND

There appears to be substantial interest in the entire 2% group of taxable bonds with some of the dealers at this time recommending the purchase of the 2% due 9-15-51/53 at present prices of 100 23/32. . . .

It was pointed out that these bonds are within the 10-year maturity period which the Government considers suitable for banks, and there is not likely to be any immediate financing in this maturity range. . . .

Also, the amount of premium involved is small, while the prospects of appreciation appear to be favorable. . . . The yield to call date of 1.89% is considered attractive. . . . These bonds are being recommended as a reinvestment for the 2% due 12-15-51/55 selling at the same price, and giving the same yield, although three months longer in maturity. . . . The 2% due 12-15-51/55 outstanding in the amount of only $510,000,000 have a scarcity value that tends to keep the market price for these obligations out of line with the other issues in the 2% group. . . .

PARTIAL EXEMPTS CALM

The partially exempt issues settled down last week and improved in prices, although some of the short issues continued to give ground, particularly the 4¼% due 10-15-47/52. . . . The intermediate term bonds gained about 3/32 while the longer term issues were up 6/32 during this period. . . . It was reported that several changes were made last week in the holdings of the partially exempt bonds, with switches being made out of the short and intermediate term securities with high premiums into the long-term obligations. . . .

It was reported that there had been selling of the 4¼% due 10-15-47/52 at about 110 with the reinvestment of the proceeds in the 2¾% due 3-15-55/60 at 111 20/32 and the 2¾% due 6-15-58/63 at 111 7/32. . . .

It was learned that these institutions, needing tax exemption, have decided to extend maturities and at the same time take advantage of the high premiums prevailing for this short-term issue. . . . It was also reported that several other switches are in the making in the partially exempt list, with the 3⅛% due 12-15-49/52, the 2¾% due 6-15-51/54 and the 3% due 9-15-51/55 on the sell list, with the proceeds to be reinvested in the 2¾% due 9-15-56/59 and the 2¾% due 12-15-60/55. . . . The last four maturities of the partially exempt issues are considered attractive not only for tax purposes but also for appreciation possibilities, and it is indicated that there are a number of institutions that are ready to take on these bonds in a substantial way if volume and price weakness should develop during the Sixth War Loan. . . .

MONEY RATE TREND

There has been considerable discussion about the future trend of interest rates, and the question is constantly being raised as to when money market conditions will change so that higher rates of return will be obtainable on interest-bearing obligations. . . .

Such a turn of events cannot be forecast at this time, but certain recent happenings seem to indicate that the British do not expect interest rates to advance much in the foreseeable future. . . .

It was announced at the end of October by the Chancellor of the Exchequer, Sir John Anderson, that the sale of British National War Bonds, the present issue being the 2½% due 1952/54, would be discontinued after Nov. 6, and in their place will be offered, at 100, a new security, the 1¾% due Feb. 15, 1950. . . . The Chancellor also announced that the national debt, as of Sept. 30, was about $84,800,000,000, an increase of $51,200,000,000 since the beginning of the war. . . .

Experts on the money markets point out that the financing of the British debt with the lower coupon bonds has particular significance at this time since many people have felt that an upward trend in interest rates is inevitable. . . .

It was pointed out that the public debt of England has risen sharply since 1939, when the war started in Europe, and this has resulted in increasingly heavy debt charges. . . . Likewise, it was noted that the British do not want the burden of debt service already heavy, to be increased, since the end of deficit financing is not yet in sight. . . .

ENGLISH VIEWPOINT

Accordingly, these facts have resulted in the opinion among students of the money markets that this change in the British method of financing the war indicates the following:

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Dealers and Brokers Reminded of Treasury Request on Loans to Finance War Bond Purchase

Calling attention to the fact that during the Sixth War Loan Drive, which will start Nov. 20 and will run through Dec. 16, 1944, every effort will be made to sell as many securities as possible to investors other than commercial banks and to obtain the maximum investment of funds which are currently available or shortly to become available to such investors, Allan Sproul, President of the Federal Reserve Bank of New York in a circular dated Nov. 3 to dealers and brokers in the New York District says:

"To help in achieving this objective all banking institutions have been requested by the Treasury Department to take appropriate steps to help prevent subscriptions being submitted for the purpose of acquiring securities for resale shortly after the drive, and to decline to make loans to finance speculative subscriptions or any other loans on Government securities which cannot be paid out of anticipated income within a period not exceeding six months.

"Subscriptions by dealers and brokers in securities are to be limited to an amount not in excess of (a) 50% of their net worth, or (b) the amount of securities included in the Fifth War Loan Drive sold by them directly to customers other than commercial banks and dealers and brokers during the first thirty days following the close of the Fifth War Loan Drive, whichever is greater. Generally speaking, the volume of purchases for subsequent resale to customers should be small regardless of the size of the investment firm, as most customers will have ample opportunity to subscribe during the drive. In order that there can be no misunderstanding as to the amount subscribed by a dealer or broker for his own account, subscriptions for account of customers must not be entered in the name of the dealer or broker.

"If you propose to enter subscriptions to any of the marketable issues offered during the Sixth War Loan Drive, we shall appreciate your informing us of the amount of your net worth or the amount of marketable securities included in the Fifth War Loan Drive which you sold to your customers during the thirty day period following the close of that drive. For your convenience in furnishing this information, we are enclosing a form which should be filled in and returned to us prior to entering a subscription.

"In further support of the Treasury's program for the Sixth War Loan Drive, and in order to avoid an unnecessary redistribution of securities in the Government security market following the drive, the public has been requested to refrain from entering subscriptions if subsequent prompt sale of the securities is intended. Dealers and brokers are requested to cooperate with the Treasury in discouraging subscriptions for Government securities by their customers for this purpose."

President Sproul has also made available a 43-page pamphlet bearing on the Sixth War Loan, embodying general information and Treasury circulars with respect thereto, in which it is pointed out that in the drive a goal of $14,000,000,000 has been established by the Treasury to be raised through the sale of Government securities to investors other than banking institutions accepting demand depositors. The quota for individuals included in this amount is $5,000,000,000. While the drive will run from Nov. 20 through Dec. 16, "all subscriptions to Savings Bonds and Savings Notes processed by the Reserve Banks or the Treasury Department during November and December will be credited to the drive," says Mr. Sproul, who also states:

"With critical phases of the war still ahead, it is urgent that the objectives of the drive be attained and exceeded. Special emphasis will be placed upon the attainment of the quota for individuals. The efficient co-operation of the banks of the country and of this District will continue to be a major factor in the solicitation and entering of subscriptions particularly for their customers."

Regarding the new regulations, which are of considerable length, the New York "Herald Tribune" had the following to say in part in its Nov. 4 issue:

The Treasury requests each banking institution to examine subscriptions for the four marketable issues placed through it "to see if the amounts of the subscriptions are in excess of the ability of subscribers to pay." In the latter event banks are requested to inform the Federal Reserve Bank of the circumstances and all available information, and should not enter subscriptions until instructions have been received.

Another novelty of procedure during the Sixth War Loan drive is that deferred payments for the 2½% Treasury bonds of 1966-71 and the 2% Treasury bonds of 1952-54 are permissible if subscriptions are entered "by a life insurance company, savings institution, state, municipality, political subdivision or similar public corporation."

Such time payments "may be made, in whole or in part, at par with accrued interest, at any time or times, with payments to be completed not later than Feb. 28 next." Finally, restrictions on subscriptions by commercial banks were modified to permit greater participation.

Thus, "commercial banks holding savings deposits or issuing time certificates of deposit may enter cash subscriptions" for the securities available to them in amounts not exceeding 10% of such accounts or instruments, as shown on the most recent call statement required by the supervisory authorities, or $500,000, whichever is less.

Heretofore, specifically during the Fourth and Fifth War Loan campaigns, effective subscriptions in this classification were limited to about $100,000, or 10% of savings or time deposits. The Treasury also requests "that there be no trading in any of the marketable securities and no purchases other than direct subscriptions until after Dec. 16."

Mallory Interesting

P. R. Mallory & Co., Inc., offers an interesting situation, according to an analysis prepared by Steiner, Rouse & Co., 25 Broad St., New York City, members of the New York Stock Exchange. Copies of this analysis may be had from Steiner, Rouse & Co. upon request.

Lifts Bans on Business Trades With France

Restrictions on commercial and business communication with liberated France imposed by reason of the German occupation were lifted on Nov. 4 by the Treasury Department, at Washington, according to advices from the Department on that day, which said:

"Treasury licenses no longer are required for concerns in the United States and liberated France to exchange financial and commercial information and establish business contacts. Creditors may get in touch with their debtors in France. Banks, brokerage houses, and other financial institutions may advise their customers and depositors in France of the status of their accounts. Bank statements, financial records, and commercial reports may freely be furnished. Wills, legal notices, and birth, death, and marriage certficates may be transmitted. Proxies may be solicited and signature cards may be obtained. Correspondent relations between banks in the United States and banks in France may be established.

"In addition, support remittances may be sent to France under General Licenses Nos. 32 and 33 as soon as banks in this country are able to make the necessary arrangements with French banks. These general licenses permit a maximum of $500 per month to be sent to individuals in France through banking channels. Currency, money orders, checks or drafts cannot be used for this purpose since their transmission continues to be prohibited.

"With the exception of instructions relating to support remittances, business communications between the United States and France will be restricted for the time being to the ascertainment of facts and the exchange of information. Accordingly Treasury licenses will not be granted for the present for the sending to France of powers of attorney, executed proxies, payment instructions and other communications which are transactional in nature. It is understood that similar restrictions will remain in effect in France and the United Kingdom.

"Today's action by the Treasury was in the form of an amendment to General Ruling No. 11 removing the liberated areas of France from the category of 'enemy territory.' French areas still under the control of the enemy will continue to be 'enemy territory' and will remain subject to the restrictions contained in the General Ruling."

Hautz & Engel Admit

Hautz & Engel, 57 William Street, New York City, members of the New York Curb Exchange, have admitted Heinz H. Bartling to partnership in the firm.

Some Recent Developments In Transportation

(Continued from page 2023)
ever known. To this end, carefully selected committees are at work on the individual railroads and under the auspices of the National Association, subjecting every phase of railroading to the severest scrutiny, to the end that weaknesses may be detected and corrected and the capacity for continued usefulness measured and enlarged. There is a spirit stirring in the railroad realm — a spirit of enterprise, energy, inquiry, expectation, ambition and hope.

However, we confront problems that are indeed serious and, as the title of my address indicates, it was my purpose to discuss some of these, particularly those of recent origin. But as I came to reflect upon the nature of these issues, one seemed to me to be so overwhelming in its significance that I concluded it to be the part of wisdom to confine my remarks to that one question. For upon its correct solution may depend not only the future of the railroad industry, but the welfare of all forms of transportation, whether on the rails, on the highways, on the waterways, or in the air. That question is: Shall transportation be regulated by Congress through its administrative agencies, or shall it be controlled by a bureau in the Department of Justice — a bureau staffed by men with no practical knowledge of the subject, knowledge which can be gained only by experience, sadly lacking in the case of the lawyers who determine the policy of the bureau. This is a question which the American people must answer, and that answer should be made effective through legislation, if such a course becomes necessary.

When I speak of this question as serious, I have in mind addresses made by officials of the Department of Justice and statements made before Congressional committees, in which there are frank declarations that the power of the courts will be invoked to prevent a continuance of the so-called conference method of initiating rates — a system that in one form or another has been in effect for more than 50 years. In its ultimate analysis, this system does no more than to give effect to the principle that before important revisions in rates are entered upon, the proposed changes should be openly and freely discussed among the interested carriers and the interested shippers.

Such discussion is not only highly desirable, but absolutely essential to the orderly conduct of the business of transportation. Without such conferences, it might be necessary for the Interstate Commerce Commission to suspend every rate filed with it, in order that interested parties might be heard as to the reasonableness and fairness of the rates. Such a course of action would entail upon the Commission, upon the carriers and upon the users of transportation a burden too heavy to be borne. Every rate change would lead to litigation and such a volume of work and such crippling delays that rates would no longer be flexible and responsive to business needs, but as rigid as the laws of the ancient Medes, or the decrees of the Greek lawgiver who, you will remember, after exacting a promise that his laws should not be changed without consulting him, cast himself into the sea as a sacrifice to stability.

As opposed to the method of conference, discussion and cooperation, the theorists in the Anti-Trust Division of the Department of Justice propose that each railroad should be compelled to file its own rates, without consultation or conference with other carriers, or with shippers other than its own. The spokesmen for the Anti-Trust Division assert that their prohibition will not extend to the formulation of joint through rates, which, obviously, must be the subject of agreement and contract as to divisions. I am not sure that these spokesmen for the Department really understand the full implication of this concession. It is conceivable that they would be surprised to learn how large a proportion of the total these joint through rates really comprise.

In making and insisting upon this theory of rate handling, the Department ignores the entire theory of rate regulation in this country, and mistakes as well the fundamental purposes of the anti-trust law. Combinations in restraint of trade are as old as civilization, and legal remedies against such conspiracies almost as old. It was against the principles of the common law to restrain trade, and this ancient common law principle was embodied in the statutes of many States before the passage of the Sherman Act in 1890. That Act was necessary because of the inability of the several States, under our constitutional system, to function effectively in the field of interstate commerce. What is the thing aimed at in these anti-trust statutes? Very obviously, and as repeatedly declared by the courts, the purpose was to secure fair and reasonable prices, through the exercise of the only force to which the people could appeal, viz: the power of competition. If competition were given free play, excessive prices would not be possible, since the prevalence of such high prices would immediately attract idle capital to a field so attractive, and thus competition, if left unrestrained by conspiratorial agreements, would furnish an automatic regulation of prices.

In the case, however, of public carriers, a different rule was necessary and, in fact, a different rule was applied. These carriers were engaged in a business affected with the public interest and, therefore, subject to regulation by public authority in the matter of rates. Logically, therefore, and it seems to me inevitably, there came before the legislative eye these two classes of business enterprises, that which was wholly private, and that which was quasi-public. As to private business, including manufacturing, merchandising and farming, the regulating factor was competition, and if this influence were given free play, with no agreements unduly restraining it, all would be well, since the forces of competition would defeat extortion. But this competitive influence would not always work in the case of carriers such as railroads. In many cases, a particular community was entirely dependent upon a single railroad for its commerical life. No competition was present or possible. It was necessary, therefore, that the rates of these quasi-public agencies should be subject to public regulation, in the form of orders fixing rates, or at least maximum rates. And so there came into being the State Railroad Commissions, with certain regulatory authority, and ultimately, in 1887, the Interstate Commerce Commission was created, with certain rather limited inquisitorial and decretal authority. Three years later, the Sherman Act was passed, dealing with restraints of interstate commerce.

I think it can safely be said that the five to four decision of the Supreme Court in the Trans-Missouri Freight Association case in 1897, holding that the railroads are subject to the Sherman Act in the matter of rate-making, came as a shock to the country. But so the court held and this decision, while qualified, limited and frequently explained, has never been expressly overruled. The railroads, for almost 50 years, have maintained their rate bureaus by which the conference method is made effective, not in defiance of the law as declared, but in conformity therewith.

I have always believed that one potent reason for the decision in the Trans-Missouri case was the futile nature of the regulation in effect at the time the case was decided. In 1897, the Interstate Commerce Commission had no power to suspend rates and no power to fix rates, either maximum or minimum. It could condemn a rate as unreasonable or discriminatory, but it could not say what rate would be more than reasonable. I dare say that had the Commission in 1897 had the power over rates that it possesses now, the Trans-Missouri decision would have been very different. This view finds confirmation in what happened in 1910, when the railroads proposed a general increase in rates, which increase was vigorously protested by certain commercial interests.

Mr. Taft was President at the time. A measure was pending in Congress to give the Commission the power to suspend rates, a power not previously possessed. It was obvious, however, that the bill could not be enacted into law before the increase in rates became effective. Thereupon, President Taft directed the Department of Justice to seek an injunction against these rates going into effect. A suit was filed, and a temporary restraining order obtained upon the ground that the rates filed with the Commission were the result of collusion and conspiracy in restraint of trade. However, when Congress enacted the law giving the Commission power to suspend all rates, it was recognized that the end sought by the suit had been accomplished by legislation and the suit was promptly dismissed. The so-called conference method of initiating rates has long been familiar to the Commission and has, in effect, been approved by that body.

I call attention to the situation that existed after the decision of the Supreme Court in the Trans-Missouri case and the related Joint Traffic Association case. The railroads were forced to take some action that would avoid the impossible chaos and confusion that would follow such a policy as the Department of Justice now insists upon, viz: the policy of requiring each road to make its own rates, without regard to the intolerable discriminations that would thereby be brought about. This was a situation which the Commission thoroughly understood. In the very first annual report of the Commission, probably written by the great Judge Cooley, it was stated that permanence and stability of rates is of the very first importance. In the second annual report, where certainly the influence of Judge Cooley was dominant, there will be found a reference to the evils of rate wars and a discussion of the harmful effects to the public interest of indiscriminate and uncontrolled bidding for traffic through the medium of competitive rate cutting. To quote this significant report:

"The apparent benefit is almost always illusory, for the unremunerative rate sheets are seldom evenly balanced; they favor particular towns or particular interests, or they go spasmodically up and down, and thus unsettle prices; they are commonly made quite as much to injure competitors as to benefit the party making them, and it will generally be found that reasonable rates adjusted equitably over the whole field of service would have been as much better to the community as to the carrier itself."

In this report, in discussing the very question we are considering, whether it were better for all rates to be made by independent action, the Commission said:

"But the voluntary establishment of such extensive responsibility would require such mutual arrangements between the carriers as would establish a common authority which should be vested with power to make traffic arrangements, to fix rates and provide for their steady maintenance, to compel the performance of mutual duties among the members and to enforce promptly and efficiently such sanctions to their mutual understanding as might be agreed upon."

In accordance with principles thus clearly and authoritatively announced, the carriers, after the decisions in the Trans-Missouri and Joint Traffic Association cases, out of sheer necessity and impelled by considerations that were all-controlling, continued the conference method of initiating rates, avoiding, however, the very appearance of evil by reserving to each railroad the right to take individual action, contrary to the majority view, a right which, as you know, is very often exercised. I call attention to the fact that in 1921 the Senate of the United States adopted a resolution directing the Commission to investigate the Transcontinental Freight Bureau. The Commission did so and filed a report to the Senate, which you will find in 77 I. C. C. Reports at page 252. It is there said:

"It is manifest that the Transcontinental Freight Bureau as at present organized and operated serves many useful purposes, promotes economy and efficiency, and is of advantage to shippers as well as to carriers. The need for some organization of this character in the transcontinental traffic field is demonstrated upon the record. The mitigation or cure of such defects and imperfections in the operation of the bureau as experience has disclosed, or as may develop in the future, should be the object of constant solicitude on the part of those who best know them through their intimate acquaintance with and responsibility for the conduct of its affairs. It is abundantly shown that operation of the bureau tends to obviate or remove the discriminations as between persons and localities which the law condemns."

Again, it is said:

"Upon the record in this investigation we are of opinion and find that the maintenance and operation of the Transcontinental Freight Bureau are not in violation of any provision of the Interstate Commerce Act."

You understand, of course, that the Transcontinental Freight Bureau conducted its proceedings in substantially the same manner as do the freight bureaus of the present era.

A little reflection and even a

superficial knowledge of the subject must convince anyone of the indispensable character of the conference method. The freight rate structure of the country is necessarily a complex matter. It could not be otherwise. It consists of millions of rates, applicable to every conceivable commodity, moving among nearly 70,000 railroad stations in this country and a large number of other stations located in Canada and Mexico. These rates must be applied by scores of railroads, owned and operated independently. The adjustment of these rates affects vitally the welfare of thousands of communities and many millions of people.

The primary purpose of the Act to Regulate Commerce, as repeatedly declared by the courts and the Commission, was to insure fair treatment to localities and individuals, or in other words, to prevent undue discriminations. Whenever an important rate is changed, the effect is felt not only by the interests directly involved but as well by dozens of communities, situated on other lines of railway where the element of competition is present. It is absurd to assert, for example, that a railroad serving New York and Chicago but not St. Louis could establish a rate between Chicago and New York which would not affect the commercial interests of St. Louis. The rate adjustment is so sensitive and so delicately balanced that before it is disturbed, the effect of the change in rates must be carefully weighed, and to bring this about, the views of railroads and shippers alike must be ascertained and appraised.

It is not as if action taken by these rate bureaus is final. Every rate, however it be initiated, must be filed with the Commission, and that regulating authority has the power, which it constantly exercises, to suspend the rates so filed until they can be carefully investigated through the medium of public hearings. It is said, however, in public statements emanating from officers of the Anti-Trust Division, that very few of the filed rates are actually suspended by the Commission — not more than 1%, according to one statement. In the 1943 annual report of the Commission, on page 123, it is stated that in 611 instances, in the year which the report covers, where the Commission acted upon requests for suspensions, 316 were suspended, and in 295 cases suspension was refused. So we see than when suspensions were asked, in more than 50% of such cases the request was granted. The Commission states in its report that these suspended schedules comprised many thousands of rates. To illustrate how lacking in substance is the assertion that 99% of the rates go into effect without investigation by the Commission, let me quote what the late lamented Mr. Eastman said on this subject, when testifying before a Senate Committee in 1943:

"The fact that only a small percentage of the tariff changes that are filed with the Commission are suspended for formal investigation does not warrant the conclusions which have been drawn from that fact. A large proportion of these changes are of a purely routine nature, involving such matters as the extension of expiration dates, the republication of tariffs where supplements have become too numerous, efforts to simplify tariffs, and so on. Many others are in response, directly or indirectly, to decisions of the Commission. Many others involve reductions in rates or are otherwise in favor of the shippers. You can be assured that the shippers of the country, of practically all types, are very effectively organized and are watching these tariff changes all the time. They know when their interests are adversely affected, and they have recourse to the Commission at such times.

It is also the fact that by far the greater part of the freight rate structure has at one time or another been under Commission review. The great majority of the rates charged are equal to or below those which have been prescribed by the Commission as maximum reasonable rates, and conform to relations between commodities and species of traffic and between localities and sections of the country established by the Commission after long and painstaking investigation."

In reality, the attack upon the rate bureaus maintained by the carriers is a covert attack upon the competency, if not the integrity, of the Interstate Commerce Commission. Implicit in the public addresses and statements of the lawyers attached to the Anti-Trust Division is the thought that the Commission has been derelict in its duty, in that it has not protected vast sections of the country from the evils of unfair and illegal rates. Much of the criticism has been directed against the class rate structure, a great part of which has been prescribed by the Commission.

That distinguished body certainly needs no defense at my hands. It has functioned now for considerably more than half a century. The personnel of its membership has changed a great many times. In the roster of its membership will be found some of the most venerated names in our history. To mention only a few of these before whom I have appeared, and putting aside, for reasons of propriety, the present membership, may I recall to your attention such men as Lane, Clark, Harlan, Clements, Prouty, Meyer and Eastman. These and many others worthy of mention if time permitted have so guided the deliberations of this great tribunal as to command universal respect and admiration. In the 50 years of its life, not a breath of scandal has blown upon it. Never has there been a charge of improper influence or a suggestion of action controlled by any motive other than a worthy one. Doubtless, mistakes have been made. To err is human. But never has there been a suggestion from any responsible source that these errors were the result of prejudice or corruption. I feel safe in saying that the country recognizes today that the Interstate Commerce Commission is the most highly respected administrative tribunal in the world.

In all its deliberations, it has gone forward fearlessly, unswayed by personal or partisan considerations, exerting all its efforts to ascertain the facts and apply the law as without fear and favor. I submit in all fairness that here is a body far more competent than the Anti-Trust Division of the Department of Justice to control the activities of our transportation agencies and far better qualified than is the Department of Justice to carry out the mandate of Congress, as clearly stated in the Declaration of Policy which forms the opening paragraph of the Transportation Act of 1940.

Let me say this one word in conclusion: The railroads are law abiding agencies. They have honestly endeavored to comply with the letter and spirit of the law. They are conscious of no wrong doing. They look for guidance and for inspiration to the language of the law wherein they are enjoined so to shape their policy and conduct "to the end of developing, coordinating and preserving a national transportation system by water, highway, and rail, as well as other means, adequate to meet the needs of the commerce of the United States, of the Postal Service and of the national defense." This high objective, thus nobly stated, can never be achieved if transportation companies are to be regulated in their most vital concerns by the changing whims and fancies of those who may be clothed with a little brief authority, rather than by a responsible agency of Congress, informed by experience and free from political influence.

One of the most influential members of Congress, Major Bulwinkle, of North Carolina, a member of the great Committee on Interstate and Foreign Commerce, mindful of the serious threat to the industry and the country implicit in the efforts of the Anti-Trust Division to turn back the wheels of progress and reduce to chaos an essential and vigorous servant of our economic system, introduced into Congress a bill known as H. R. 2720, which provides in substance that the Interstate Commerce Commission shall be charged with the obligation to make rules and regulations by which all carriers shall be governed in the conduct of their rate bureaus. It is further provided that carriers of all classes shall observe such rules and when they do, they shall not be prosecuted under the Anti-Trust Law by reason of anything done in compliance therewith. The railroads are strong in their conviction of innocence under the law as it stands. If, however, Congress, acting in accordance with the will of the people definitely expressed, were to pass a law embodying the principle of the Bulwinkle bill, the railroads, motor carriers, water carriers and freight forwarders could go forward confidently on the road to a larger field of usefulness, unhampered by the meddling of the Anti-Trust Division.

Detroit Traders to Hold Annual Fall Party

DETROIT, MICH.—The Security Traders Association of Detroit and Michigan, Inc., will hold its annual fall party at the Penobscot Club on Nov. 17, from 5:30 p.m. on.

Informal guest speaker will be Edward E. Parsons Jr., Wm. J. Mericka & Co., who as President of the National Security Traders Association will speak of the work the NSTA is doing in behalf of the securities business.

Tickets for non-member guests may be had at $5 each.

Members of the program committee are R. C. O'Donnell, R. C. O'Donnell & Co.; Frank H. Kemp, Charles A. Parcells & Co., and John L. Kenower, Miller, Kenower & Co.

The Business Man's Bookshelf

Civil Aviation and Peace—J. Parker Van Zandt—The Brookings Institution, Washington 6, D. C.—Cloth—$1.00.

Classification of Jobs in Small Companies—Robert D. Gray—California Institute of Technology, Pasadena 4, Calif.—Paper—$1.00.

Federal Post-War Taxation, a Review of Significant Proposals—The Chicago Association of Commerce—Paper.

Price Control in the Post-War Period—Norman S. Buchanan—Committee on International Economic Policy, 205 East 42nd Street, New York 17—Paper.

Production Credit System for Farmers, The—Earl L. Butz—The Brookings Institution, Washington 6, D. C.—Cloth—$1.00.

Selecting, Training, and Rating Supervisors—Victor V. Veysey—California Institute of Technology, Pasadena 4, Calif.—Cloth—$1.00.

N. Y. Analysts to Hear

The railroad group of the New York Society of Security Analysts will meet on Friday, Nov. 10.

Clifford Paige, President of the Brooklyn Union Gas Co., will address the meeting of the public utilities group on Monday, Nov. 13.

Meetings will be held at 56 Broad Street, at 12:30 p.m.

The Financier's Position In Consumer Credit

(Continued from first page)

sumer durable goods. Completing the cycle, jobs of course, depend upon production. What you are interested in knowing, therefore, is what are bankers planning and willing to do to facilitate consumer credit, i.e., consumption.

Post-War Consumer Demand

To appraise properly the task that lies before the bankers of the nation, let's review the most acceptable forecasts with respect to the various phases of this cycle covering jobs, consumer needs, purchasing power, and, lastly, the demand for consumer credit in the post-war era. Sumner H. Slichter, Lamont Professor of Economics of Harvard University and Chairman of the Research Advisory Board of the Committee for Economic Development, points out that within two years after the end of fighting we will have the greatest and swiftest disappearance of markets in all history, occasioned by a drop in Federal expenditures from about $90 billion to about $25 billion a year. He estimates that this will mean that within a year after the end of the war there will be some 20 million people looking for jobs, comprising some 8 or 9 million men demobilized from the armed services, 2 million from civilian Government jobs, 5 million laid off by plants making combat munitions, and approximately 6 million additional men now making other war goods. Jobs for these 20 million people are a big order, which seems almost overwhelming until we take into consideration the accumulated needs of American consumers and American business enterprises.

The wealth of America is clearly illustrated by Eric Johnston in his recent book, "America Unlimited," when he reminds us that even though our country contains less than 7% of the world's population, it nevertheless possesses 35% of all the world's railroads, 45% of all the world's radio sets, 50% of the world's telephones, and 70% of the world's automobiles. And it consumes 59% of the world's petroleum, 56% of the world's silk, 53% of the world's coffee, 50% of the world's rubber, and 21% of the world's sugar.[1]

At first glance, compared with the rest of the world, these figures would seem to justify some satisfaction on our part, yet, in 1940, 61% of our people had no telephones, 60% had no central heating system, 57% had no mechanical refrigeration, 45% had no bathrooms, 24% had no electricity, 17% had no radio sets.[2] To emphasize further this vacuum for consumer durable goods, let's look at the farm situation in America since that constitutes 24% of our population, and, incidentally, bears 31% of the expense of rearing the children of the nation. Only 8.5% of the farms of the United States have flush toilets, only 30% had water in the home, and of these a good percentage was piped cold water, and a larger percentage was hand-pumped; only 25% had electricity; only 70% had radio sets, and many of these were battery sets; farmers had 57 fewer cars per 1,000 population than non-farmers — the figures were 193 cars per 1,000 farm people, compared to 250 for non-farm people.[3]

Since 1939, farmers have made up only 19% of the nation's population and receive about 10% of the national income. Here again we come back to that cycle since farm prices depend on high levels of industrial employment. Going from what our people do not have to what they will probably need, let's first take a glance at the survey made by the U. S. Chamber of Commerce last year. This survey was made of a cross section of 35 million families of the United States as to their plan of consumer purchases after the war. Of the 35 million, 64% thought they would be in the market for consumer durable goods as soon as they were available; 3,600,000 said they would buy new automobiles; 2,600,000 said they would buy some other consumer durable goods such as refrigerators, washing machines, stoves, vacuum cleaners; 1 million said they would be in the market for some kind of furniture; 1½ million said they would either buy or build a new home, and 39% said that they would make some improvement to their property. All in all, these plans represented an estimated expenditure of over $7 billion. Professor Slichter estimates that the post-war use of automobiles may jump from 29 to 33 or 34 million cars, whereas the present number of cars in use has been reduced to some 20 to 23 million. He further points out that there are 600 articles of iron and steel that have not been made since 1942. He specifically estimates the following volumes of accumulated demand: 3.5 million vacuum cleaners, 7.2 million clocks, 23 million radio receivers, 5.2 million refrigerators, 10.3 million electric irons, 3.1 million washing machines, 1.5 million waffle irons, 1.8 million heating pads, 3.7 million percolators, and 4.5 million toasters.

He points out that family increases are at the rate of 550,000 annually, and that the present housing deficiency is 750,000 homes. Most important, that of the 7 million couples who have been married the last four years, a very high percentage has not set up housekeeping and will need every kind of household furnishings and equipment as well as housing. History shows that the greatest number of marriages here in our country was in 1920, and we may accordingly expect a new high the first year following this terrible war.

One conclusion is most apparent, and that is that the needs of our country with respect to consumer durable goods and residential property will be astronomical. In addition to the two years replacement on items specifically referred to, we must take into account the scores of new articles which will undoubtedly be available—such items as airplanes, television and other articles in the field of electronics, etc. It is anybody's guess as to what the exact post-war demand for consumer goods will be. Whether the accumulated demand is 7 billion or 20 billion, or whether the annual demand is 14 billion or 20 billion, makes little difference, particularly when we remember that the 1940 dollar demand was only approximately $7 billion. A fair estimate would be that in terms of 1943 prices, the catching up demand for consumer durable goods would approximate $20 billion. Added to current demand this would create a formidable demand many times greater than that heretofore considered the absolute saturation point of consumption.

Yes, there is the need—there is the vacuum, there are acute shortages and pressing needs, but does this mean demand? No, these needs do not spell demand. Demand requires purchasing power. To ascertain the extent of our purchasing power it is the common mistake to measure it directly by the amount of the nation's accumulated savings and annual income. Liquid savings and current incomes, or in other words—cash, have never had the power to make possible the mass distribution of consumer durable goods. This mass distribution is a product of consumer credit—it took the instalment plan to do this job. The American people are instalment credit-minded. They have acquired the habit, and by their very nature will always have this habit even when they are able to pay cash. An analysis of the users of the instalment plan would show a high percentage with large cash resources and an even greater percentage with substantial incomes. So it will be after the war.

Consumer Credit Facilitates Consumption

Something might be learned by examining the pre-war use of consumer credit. The total outstandings of consumer credit at the outbreak of the war in December of 1941, which, by the way, were their all-time high, were approximately $9,200,000,000. Of this amount about $4 billion represented retail instalment lending and end-of-the-month bills, and the balance of $5,200,000,000 represented credit extended to consumers on some scheduled plan for repayment — the instalment plan. This all-time high is important when we remember that the national income and savings were, too, at an all-time high. We cannot in any way accurately determine the post-war uses of consumer credit without considering the effect of savings and national income. Individuals have saved during the last three years in excess of $75 billion, equal to 10 years at the 1940 rate, and undoubtedly by the end of the war this will be equal to 15 years at the 1940 rate. Putting it another way, individuals' liquid assets comprising their holdings of cash, demand deposits, time deposits and war savings bonds are twice their holdings at the end of 1940. Savings in the banks alone have increased about $6 billion since 1934. But what effect will these vast accumulated savings have on the consumer credit after the war and will or won't they facilitate consumption! Most certainly they will facilitate consumption, but they will have no real dampening effect on the demand for consumer credit. It seems to me that the following will represent some of the important uses:

1. They will be used to bridge the readjustment period, the reconversion period, the deflationary gap.

2. A high percentage will be retained for a rainy day. Now that people have saved, they have become accustomed to having the feel of a reserve for contingencies.

3. They will be used to a large extent for satisfying the pent-up demands for soft goods, personal services and travel.

4. A large portion of these accumulated savings will be used to supply capital for the holders and relatives, for members of their families returning from the armed services and those returning from war work. Moreover, don't forget the 7 million newly married couples who will call on their families and friends for help.

5. Lower corporate taxes and fewer Governmental business controls will attract a substantial portion to corporate investments.

6. Hot money, i.e., excess money in circulation, in my opinion largely consists of proceeds of tax evasion and black market operations and accordingly will find its way back to bank deposits.

7. They will be used for equity payments for residential property and consumer durable goods, such as automobiles, refrigerators, etc. Normally, down payments on new automobiles consist of old cars traded in, but due to the heavy obsolescence during the war period and the certain post-war deflation in used-car values cash will be necessary either in whole or in part for almost all new-car down payments.

Prognostications with respect to the aggregate amounts of the national income in the post-war era have been in many respects conflicting. It has been a subject of much controversy, yet even the most conservative seem to agree that we may expect this figure to run around $130 billion, which would mean that we would have some 55 to 60 million workers putting in fewer hours than they did in 1943. 10% of this would necessarily go for taxes and at least 70% would go for nondurable goods, leaving a maximum of some 20% for durable goods, savings and other expenditures. Regardless of this margin current incomes of the average workers have never been sufficient to cover the outright purchase of their consumer durable goods needs. Savings and credit have been necessary in most instances. Moreover, a good deal of this margin will be necessary for the maintenance of a higher standard of living, more education and considerably more travel. On the other hand, high income levels will temporarily, at least, soften the demand for long instalment maturities but will not materially affect the initial demand for consumer credit.

A Post-War Period of Limited Consumer Goods

While it has been definitely determined that the accumulated consumer needs will test the nation's productive capacity, nevertheless it will take some time to get this productive capacity in high gear following the war. This certainly means limiting quantities of consumer durable goods during this first year. With this in mind, it is fair to conclude that the large accumulated savings and high incomes will reduce the immediate demand for consumer credit to a fairly low level. Moreover, it will be a seller's market and accordingly the seller will not have to resort to time sales devices to sell his goods. But it is crystal clear that the nation cannot and will not absorb the vast amount of consumer durable goods necessary without a substantial use of consumer credit. Consumer credit outstandings have always maintained about the same proportions, relatively, as our national income, showing that people were willing to buy and use their credit when they had confidence and this confidence came from full pay envelopes.

In fact, the very existence of a large national income and substantial savings portends the maximum use of consumer credit in peacetime when consumer goods are freely available.

Some authorities predict that within the next few decades income payments to individuals will rise to more than 200 billion dollars. If this occurs, and if our productive capacity comes up to our expectations, consumer credit outstandings could easily rise to more than $20 billion.

Is Enough Consumer Credit Available?

But is credit in this amount or any substantial amount available? Are the banks of the nation prepared and willing to make this credit available either at wholesale through other credit agencies or at retail direct to the consumer or via the dealer? First of all, the experience of other credit agencies, i.e., the finance companies, loan companies, etc., has been so eminently satisfactory that we may expect them to continue aggressively in this field of credit. Not only will large amounts of bank credit be available to these agencies but the vast accumulation of savings will make unlimited financing possible. With reference to banks themselves—never before has banking had such a powerhouse of financial energy. Moreover, the bankers have adopted a dynamic and constructive credit program designed not only to do a real job in the consumer credit field, but also to see that every competent individual, firm or corporation has credit available. Mark Brown will undoubtedly cover this program in his talk to you today.

Several months ago the American Bankers Association conducted a consumer credit survey through 14,675 questionnaires mailed to banks throughout the country; 11,210 questionnaires were returned, or approximately 77% of the total mailed. Of the 11,210 returns, 10,600 banks indicated that they are engaged in or will be engaged in some phase of consumer lending immediately after the war. On this basis, we may expect 95% of the nation's 15,000 banks to be directly supplying consumer credit. It is quite evident, therefore, that the bankers are willing and ready and that the supply of consumer credit will be more than adequate to meet any reasonable demand. Moreover, and most important, they constitute an adequate organization to service it. This overabundance of credit will undoubtedly result in a highly competitive situation, and in turn lower costs to the consumer. In the absence of Government regulation, some undesirable terms may be expected and eventually credit instead of merchandise will be sold by some, but in my opinion none of these highly competitive practices represent any dangerous threat to our economy. The value of consumer credit with respect to purchasing power depends on the terms under which it is extended as well as the amount of credit available. By terms, I have reference to the number of months which are permitted for repayment, the amount of down payment required, etc. The contracting or expanding of these terms can have a material effect on the aggregate purchasing power of consumers, but in a peacetime economy there is no real need of artificially controlling this purchasing power by regulating consumer credit terms. Personally, I have no real concern that terms will get out of hand after the war or that the nation will become mired in a colossal consumer credit debt, particularly if merchandise, not credit, is sold. Moreover, the eventual wider distribution of consumer credit holdings which will result in larger bank activity in the field, and the more important position of banks in this field will have a steadying influence on post-war terms. The individual consumer obliger still has the very best debt payment record we have seen during any depression. On the whole, very little money has been lost through the extension of this kind of credit and it has been proven that John Doe eventually pays his bills and almost universally pays them to the full extent he is able to do so. While much has been said about the dangers of the time payment plan, such as a dollar down and a dollar forever, there is still little evidence to support the contention that the nation's consumers in the aggregate will go too far in debt. The consumer credit debt will always be relatively small compared with other debt.

Effect of Government Control

You will notice that I have conditioned the above on the absence of Government control and regulation. Business is very likely to succumb to the opiate of Government regulation and lean upon the Government to eliminate the hazard of competition. Many of those engaged in the extension of consumer credit have found temporary advantage in having the Government police their competitors and are selfishly and thoughtlessly pleading for its continuance.

Of course I refer to Regulation W of the Board of Governors

[1] "America Unlimited," Eric Johnston.

[2] United States Census of 1940.

[3] U. S. Department of Agriculture Year Book entitled, "Farmers in a Changing World."

of the Federal Reserve System, issued under Presidential Executive Order in 1941, which subjects the extension of consumer credit to rigid regulations. Regulation W was primarily a defense period anti-inflation measure strictly supplementary in character. It was intended to dampen the demand for consumer durable goods, then already growing scarce, in the hopes that there would be less bidding of prices upward. Even in a defense economy it at best could only supplement major anti-inflation devices such as wage and price controls, heavy taxes, enforced savings and the like; but in a war economy, with virtually no demand for consumer credit, its significance is completely lost.

The authority for such regulation expires at the end of the war when the President proclaims the emergency is over. As I have previously indicated, there will be little demand for consumer credit immediately following the end of the war during the period of scarcity of consumer durable goods, so the post-war control of consumer credit could contribute very little as an anti-inflation device. If a system of Federal selective credit controls is established by Congress after the war to permit the regulation of consumer cerdit, then it will only be a matter of time until commercial and other types of credit are likewise regulated. This would ultimately mean the end of private enterprise since credit is its very lifeblood. By controlling consumer credit, the Government can and will control production via consumption and by controlling productive credit it can directly control all private enterprise. Business must accept the hazards of competition. If it must rely on the Government to police, supervise and to regulate its conduct in order to eliminate normal business risks, then it cannot and will not justify its existence. The reduction of risks in business so achieved acts as an opiate, dulling our senses until permanent control is upon us. Consumers and business men alike must join banking in a united front to oppose any legislation designed to regulate credit. This is essential to any program designed to provide full peacetime employment.

But even in the absence of Federal credit controls, full consumer credit reservoirs are not enough to clear the channels of distribution. Production in the quantities I envision will require skillful handling and careful planning to finance its ultimate consumption. Producers must, therefore, make a place for the bankers at their post-war planning round table.

The only liaison between bankers and producers heretofore has been the treasurer and his productive credit requirements. It is high time the sales manager likewise assumes this liaison role. In many cases consumer credit was something taken for granted or considered unessential, or if properly evaluated only to be entrusted with specialized credit agencies—not banks.

A New Era in Consumer Credit

The post-war period will not only be a new era in manufacturing technique, chemistry and electronics, but also a new era in the field of consumer credit. Closer cooperation among banks will undoubtedly result in efficient nationwide syndicates to finance distribution and consumption.

But bankers cannot streamline the economic processes if they do not have the producer's confidence. Bankers are deeply rooted in their communities. They can be of material assistance in building the producer's distribution organization by locating competent businessmen and financing their enterprises. They are close to the consumer, cognizant of his needs, and are ideally situated to finance him. It is essential, however, that they know what the producer expects to do — his plan of distribution — the value, life and characteristics of his product — his distributor's and retailer's credit requirements — what retail terms of credit his products will need and justify — and a thousand and one things essential to satisfy properly the credit needs of consumption.

Producers should take another look at this modern child, consumer credit, which they helped create, with special attention to its new paternal relationship. It is essential to optimum production.

In "America Unlimited," Eric Johnston outlined six post-war potentials, which, if properly utilized, should ease the transition from war to peace. To refresh your memory, they are:

1. We will have the greatest plant capacity in our history.

2. We will have greater sources of raw materials, natural and synthetic, than we have ever had in the past.

3. We will have the greatest number of skilled mechanics and technicians ever available to any nation.

4. We will have a tremendous backlog of accumulated demands for all types of commodities.

5. The people will have accumulated unprecedentedly large savings with which to satisfy their deferred demands.

6. An economic vacuum will exist in most of the nations of the world, and it is an immutable law of nature that a vacuum must be filled.

One more should be added if full employment and better living are to be achieved. It might well read as follows: "We have a banking system eager, willing and able to supply the nation with an unlimited supply of credit necessary to facilitate national consumption."

Yes, banking is ready to fully assume its responsibilities to finance adequately production, distribution and consumption after the war.

OUR REPORTER'S REPORT

Barely a month has passed since the underwriting fraternity was all adither over the fact that the new financing calendar showed a "bunching" of issues up for bids. It was feared that some of the prospective deals would suffer by inability of a sufficient number of syndicates to organize for the sales.

But the business went through pretty much on schedule, although in several instances the number of groups seeking the new offerings was not as large as might have been the case under more auspicious circumstances.

Now we have quite the reverse of that situation. At that time prospective issuers were reluctant to shift the dates for the bidding. In this instance the schedule called for bidding for two issues on next Monday, namely those of the Central New York Power Corporation and the Houston Lighting Co.

Both are sizable undertakings, a bit larger than what the investment world likes to refer to as "Street-sized" offerings. So here we find the Central New York Power Corp., setting back its offering of $48,000,000 new general mortgage bonds for a day. This serves to give Houston Lighting a "clear-track" for its $30,000,000 undertaking.

And the promise is for the keenest kind of competition for the new loans, which may have been a factor in prompting the voluntary action of the up-State New York utility in setting its schedule back for a day.

Treasury Takes Over

By force of circumstances the investment market has been experiencing something in the nature of a "planned economy" over a period of months. Private financing must manage to squeeze itself in between the recurrent War Loan Drives of the Treasury.

Accordingly the sale of the two aforementioned corporate undertakings will mark finis to the current phase of heavy private emissions, unless a railroad loan pushes through between now and November 20. But there is nothing to indicate that such a development is likely.

Several carriers are working on prospective refinancing programs wth indications that the finishing touches will not be made until the Sixth War Loan is out of the way.

Louisville & Nashville

Louisville & Nashville Railroad, for example, is known to be contemplating a plan for refinancing the greater part of the bonded indebtedness issued under its first and refunding mortgage.

Two underwriting groups, headed by firms which have become intense rivals in the railroad field under the new order of things, are prepared to compete for any new L. & N. securities that will arise under the road's program.

Since the next semi-annual interest date on the bonds to be called, however, is April 1, it becomes apparent that the element of time is not pressing in this particular undertaking.

Cash for War Bonds

Institutional investors, notably insurance companies, have been rearranging their portfolios with an eye to being in cash and in a position to take on further allotments of new war loans in the Treasury's drive which is now scarcely a week away.

Several of the large insurance firms have completed this operation in recent weeks through the reoffering of substantial blocks of state and municipal issues from their holdings.

The latest recruit to this contingent, reportedly, is New York City Comptroller Joseph D. McGoldrick who is expected to ask bids on blocks of New York City bonds, face value approximately $13,000,000, now held in various pension funds. Receipts, it is assumed, will be placed in the next War Loan.

Nickel Plate Refunding

Another prospective railroad candidate for the new issue market after the close of the forthcoming Sixth War Loan is the New York, Chicago & St. Louis Railroad, (Nickel Plate).

The management here is said to have whipped its plans into shape so that its refinancing program probably will be ready for market most any time after the Treasury gives the next "all clear."

Nickel Plate plans a $42,000,000 issue of 30-year bonds to provide funds, along with treasury cash, for redemption of $26,100,000 of its own 5½s, due 1974, a $6,500,000 issue of Toledo, St. Louis & Western 4s, and the repayment of a $10,000,000 bank loan secured only recently.

Richardson to Attend Mining Conference

Allan S. Richardson, Securities Commissioner for Colorado, plans to attend a conference called by Gov. Sam C. Ford, of Montana, at the Finlen Hotel, Butte, Montana, Nov. 10 and 11, to discuss problems concerning small mine financing. Mr. Richardson is Secretary of the National Association of Securities Commissioners and will represent that organization at the meeting. Mr. Richardson is also Chairman of the Mining Committee of the National Association of Securities Commissioners.

Morgan Stanley Group Offers $40,000,000 C. B. & Q. 3¾% Issue

Morgan Stanley & Co., headed a group of 24 underwriting firms which offered Nov. 3 subject to authorization by the Interstate Commerce Commission, $40,000,000 of Chicago, Burlington & Quincy RR. first and refunding mortgage 3¾% bonds, due Aug. 1, 1974. The bonds were priced at 100¾, to yield 3.71% to maturity.

Proceeds from the sale of these bonds will be used to refund $40,000,000 of the road's first and refunding mortgage 5% bonds, Series A, due 1971, which are to be called for payment on Feb. 1, 1945, at 107½. The company expects to offer to prepay the redemption price and interest to Feb. 1, 1945.

In the opinion of counsel for the underwriters, the new Burlington 3¾s wil be legal investments for savings banks in New York, Pennsylvania, New Jersey, Ohio and certain other States.

Since Dec. 31, 1941, the Burlington will have reduced its funded debt by $52,788,000 to $198,770,000 after giving effect to the retirement of the Illinois Division mortgage bonds on Jan. 1, next.

The new issue of 3¾s will have the benefit of an annual sinking fund equal to 10% of the dividends paid by the company on its capital stock during the preceding calendar year.

Post-War Appraisal of Railroad Securities

E. F. Hutton & Company, 61 Broadway, New York City, members of the New York Stock Exchange and other leading exchanges, have prepared a most attractive and informative booklet containing a post-war appraisal of railroad securities. Copies of this booklet, which also contains interesting comparative tables, may be had upon request from E. F. Hutton & Company.

Railroads Vs. Industrials--Post-War

(Continued from first page)
far too great. Either in the post-war period the conditions will be such as not to justify today's price of 147 in the Dow-Jones Industrial averages, or the railroad averages are ridiculously low.

The spread between industrial stocks and railroads is caused, in my opinion, primarily by lack of dividends for the railroad stocks, not lack of earnings. Stocks, unfortunately, sell on dividend records more than on earnings; unfortunately, at least, for the rails, because, as I will show you later, they have used in last three years over one billion dollars, which ordinarily would be stockholders' money, to buy bonds.

I do not agree that the post-war conditions will be such as to create prosperity for the industrials and bankruptcy for the railroads. Those two things have never occurred and I doubt if they will ever occur in the foreseeable future.

Investors, in addition, now seem to be inclined to the theory that the whole railroad industry was on the verge of bankruptcy in '32, '33 and '38. True, 37 railroads entered bankruptcy; about another 20 survived bankruptcy because of RFC loans; but the railroads doing about 50% of the railroad business retained their credit right through that great depression.

The point is that the investors generally do not realize that that condition can never return in the foreseeable future because by the reorganization of the 37 carriers and by the reduction of debt in the other 20, either in open market purchases, or through refunding, the bankruptcy risk in the railroad industry in the foreseeable future has been entirely eliminated.

It is true that in the 1930's the railroad industry suffered a tremendous decline in gross revenues; but so did national production and commerce in the 1930's. We had a decline of about 50% in industrial activity between 1929 and 1932 and, likewise, railroad gross declined about 50%. The climb back from 1932 to a year like 1941 was about 100% in industrial activity and about 75% in railroad gross. The reason the railroad gross did not follow almost exactly with industrial production was the fact that unregulated competition reduced the rates so that the same volume of business in 1941 as in 1928 produced a billion dollars less gross for the railroads. Speaking generally, having adapted itself to these lower rates, I think that the railroad industry will follow our industrial activity, good, bad or indifferent, also exactly. The tremendous decline in railroad prices during that period was caused, among other things, by bankruptcies. These have been cured. As a matter of fact, I have made the statement to you before that there is no railroad in reorganization today or that has been reorganized, which relatively had a good capitalization. So, without trying to prove what I think post-war gross is going to be (almost everybody else in the country is guessing what the national income is going to be post-war), I say that the railroads are prepared to get their share of whatever that level of business is, and that the last four years, plus reorganization, has completely eliminated the bankruptcy risk which prevailed in 1932, 1933, 1935 and 1938.

Now, just a few words on the transportation industry. The railroads now, unlike in 1920, are only part of a service industry, the transportation industry. And also remember, when they tell you that the railroads are our most unstable industry, that it cannot be true, because it is a service industry. A service industry is only as unstable as the industries which use it.

Now, prior to 1920, from a practical angle, we only had two means of commercial transport in the United States—one was the railroads, and the others were the ships on the Great Lakes. In the meantime, we have had a tremendous advance in the transportation industry, railroads, waterways, pipelines, airlines and highways. The railroads, however, are by far the largest private investment in transportation in this country. There are only two completely private transportation units in the transportation business, the railroads are one and the pipe lines are the other.

Now, the railroads, as part of the transportation industry, operate about 230,000 miles of roadway and about 385,000 miles of track; about 37,000 passenger cars; about 1,800,000 freight cars; and about 43,000 locomotives. This represents an investment by the railroads of about 26½ billion dollars. In the meantime, and during this intervening 23-year period, the public—that includes the municipalities, Federal Government, State governments—have invested about twenty billion dollars in highways and roads. We now have about three and one-quarter million miles of highways in this country. To use that tremendous system which was created by public funds prior to the war, we had about twenty-six million automobiles operating.

In that period there appeared on these highways about four and one-half million trucks and about nine hundred thousand trailers, representing a private investment of five billion dollars.

Now, on the inland waterways, particularly the Mississippi and the Ohio, we now have 27,000 miles of navigable rivers and canals, all of which were built with public funds, and the public funds have been estimated now at about three billion dollars. The pipe lines are the only other completely private investment. They now operate about 126,000 miles with a private investment of about $842,000,000. As of the end of 1939, the airlines had about 46,000 miles in domestic operation. The total investment in airports, public investment, was around $325,000,000. The United States had about $125,000,000 invested in beacons and lighting arrangements, so that the public investment in airline transportation in the United States at that time was about $450,000,000.

As of July 1, 1941, prior to the time the Army took over the airlines, we had in operation in this country about 452 domestic planes; the private investment in the airlines in this country was about $61,000,000.

Despite this complete change in the transportation system in the United States, in the years 1939, 1940 and 1941, according to the Interstate Commerce Commission, the railroads carried about 63% of the available intercity freight ton miles. The Great Lakes carried about 17%, but the great majority of the business on the Great Lakes is either rail and water, or rail-water-rail. For example, most of the ore that comes from the Missabe range on those big ore carriers goes to Duluth by rail.

So that despite the appearance of all these other means of transportation, at tremendous sums of investment of public and private funds, the Great Lakes and the railroads in 1939, 1940 and 1941 still carried about 80% of the intercity freight ton miles. In other words, the railroads still carry the great majority of all of the available freight business in this country.

Now, this railroad industry has invested about twenty-six and a half billion in its plant and property. Between 1921 and 1941, but principally between 1921 and 1931, the railroads spent on their plant and property about ten billion dollars, and after depreciation, there was a net investment of around six billion dollars.

Then come the 10 years of poverty for the railroads where this plant with tremendous capacity due to these improvements was not used to capacity because of the depression. That is the reason why the railroads are able today to handle about 93% of all the transportation business in this country and that transportation business is almost 200% more than the record year of 1929.

Because they have the plan and equipment, we have found out that there is practically no limit to the volume that the railroads can handle.

But how does the public appraise this twenty-six and one-half billion dollar plant? We had about ten billion bonds and about seven billion stocks. So that the capitalization of the railroads in 1940 was about 17 billion dollars. I have excluded equipments because they fluctuate so much. Therefore, the railroad capitalization was way under the investment. The ICC cost of reproduction, less depreciation for the American railroads, was about 20 billion dollars in 1941. Therefore, the capitalization at par was three billion dollars below even the ICC valuation for the railroads.

Now, in the reorganization of carriers, and in the open market purchases, let's see what happened to this ten billion dollars in bonds, and seven billion dollars in stocks. First, the ten billion dollars in bonds. Five billion of that was the obligation of railroads that had been in bankruptcy, or are going through bankruptcy, 37 railroads. These 37 railroads carried five billion dollars worth of debt, yet those 37 railroads did only 30% of the gross business. That is your answer to, "Were these roads in bankruptcy overcapitalized in debt?" and the answer was and is, without argument, "Yes."

However, that five billion dollars in fixed debt of these 37 railroads is being changed into two billion dollars of fixed debt, a billion and a quarter of income bonds, and two and three-quarters of stock so that of this ten billion dollars, we are losing three billion dollars of fixed interest-bearing bonds, just through the reorganization of these 37 carriers.

Now, the other railroads, amounting to about one hundred, which carried the five billion dollars worth of bonds, they too, have been reducing the bonds in the open market. In the years 1941, 1942 and 1943, through the market purchases, they retired about a billion out of their five billion bonds. In 1944 and 1945, including the savings made in refunding by capitalizing the difference, in my opinion that will amount to the equivalent of another billion dollars in bonds. So that this ten billion dollars in bonds, in my opinion, by the end of 1945, will become five billion dollars in fixed interest-bearing bonds, and a billion and a quarter of income bonds.

Now, what has happened to the stocks? Out of the seven billion dollar stocks, the ICC has eliminated as being worthless, about two billion. So we now have, roughly, about five billion par value stocks. The stocks are in the Dow Jones railroad averages—sell at 40, but you know there are plenty of them that sell at much lower prices, so that this twenty-six and a half billion dollar plant, valued by the ICC at twenty billion dollars, is today selling in the open market for eight billion dollars. That is my estimation of the market value of all the bonds and stocks in today's market.

You have read of the large debt reductions of the Southern Pacific and the Atchison's, and every day you pick up the paper you see some other calls like Nickel Plate, Great Northern, and L. & N. I hardly have to mention the reorganized companies, the tremendous debt reduction, so that four railroads, the Northwest, the St. Paul, Rock Island and Missouri Pacific, the fixed debt reduction on those four roads alone is over one billion dollars. Just those four alone out of 37 reorganized or being reorganized.

Now, the ever-present topic of wages. The railroads have demonstrated an ability from 1921 to 1941 to control wages in relation to their gross revenues. The railroads were vulnerable, from a wage standpoint, for this reason, that although they had unions long before industry generally, the wage scale on the railroads was generally low. Therefore, the railroads were vulnerable to attack subsequently because of competitive wages. In 1916, if you worked on the railroad, if you were an average employee, you received about $17 a week and you worked about 60 hours a week, and you made about $880 a year. In 1943, if you were the same average fellow on a railroad, you received about $50 a week for working about 54 hours, and you made about $2,605 annually. The average hourly wage increased from about 28 cents to about 92½ cents.

This is an important point. It is now competitive with industry generally, and in some cases, industry is not competitive with the railroads from a wage angle. The wage scale today in the American railroads is no longer vulnerable. What I mean is you cannot isolate the wage question to the railroads.

The facts are that railroads have always limited the wages, the total wages, to a certain percent of their gross revenues, and it runs around 47%. By that I mean this: I don't mean an average, I mean when the gross business of the American railroads was six billion dollars in 1929, the wage bill was a little less than three billion dollars, and yet in 1932, when the total gross revenue of the American railroads was three billion dollars, the wage bill was not over one billion, five hundred million dollars.

I was reading the other day about the domestic airlines for the year ending July 1, 1944, compared with the year ending July 1, 1943. This is from the CAB, the Civil Aeronautics Board, and I noticed operating revenues for all of the domestic airlines were up in that comparative period, $21,800,000, but the operating expenses were up $24,551,000.

Now, I admit that railroad earnings are going off because of taxes and wages, but they are still going to make this year about $1,300,000,000, which is still a lot of money available for interest, dividends and surplus.

I noticed the Federal Power Commission report on utilities — 1937 versus 1943. The gross income in 1937 was $749,000,000. In 1943, the gross income, that is, the amount available for dividends, interest and surplus was $759,000,000, a decrease of, from 1937 to 1943, of $10,000,000.

To emphasize again this wage thing and to repeat what I have said before, I compared the year 1928, and the 12 months ending September, 1941, the business of the railroads was almost exactly the same, and by "business" I mean the ton miles plus the passenger miles, about 528,000,000,000 ton miles for the year 1928, and for the 12 months ending September, 1941. Now, the gross in the 1941 period was about five billion, the same business, but we lost a billion dollars in gross because through the lack of regulation for trucks primarily caused a decline in rates so that the same business gave us a billion dollars less gross revenue.

In the meantime, wages went up about 26%, rates declined about 15%. Now, the net railway operating income in 1928 was about $1,100,000,000. The railroads saved over a billion dollars out of the six billion. Now, if you sat back in 1928 and said, "Wages are going up 26% and rates are coming down 15%," you could forecast at that time that the railroads wouldn't make any money.

What are the facts? In the 12 months ending September, 1941, the net railway operating income of the American railroads was 990 million dollars, 110 million dollars less, although they lost a billion dollars in gross. That is due primarily to the efficiency which has appeared in the American railroad industry, probably for the first time, because they have finally come to realize that they are only part of the transportation service.

In other words, they know now they are in competition, and through this efficiency, despite the decline of one billion dollars in gross, doing the same business, the net railroad operating income was almost the same.

Now, how did they do it? In the first place, they employed 500,000 less men to run the railroads to do the same business, in those two different periods. The efficiency has hardly been scratched, in my opinion. The great mechanical tools, the central traffic control, the Sperry Gyroscope car and hundreds of other mechanical gadgets are the product of the last four years which, in my opinion, have virtually not scratched the surface in future efficiency.

Now, take this tremendous gross they are doing. I am speaking now of taxes. The railroads are going to do this year pretty close to 10 billion dollars, around 9½ billion dollars gross, as against 5½ billion dollars in 1941. The net will be different by about 200 million dollars. The increase in taxes, 1941 and 1944 will be about one billion six hundred million.

So, supposing we lose some of this tremendous gross. We don't have to do 9½ billion when we contribute almost two billion dollars in taxes.

In other words, what I am trying to say is, don't pick out the railroads as the only thing that could possibly go wrong in the post-war period, because you can't isolate them any more. They are going to be as good or as bad as industry generally.

Just a moment on the Dow-Jones averages. There are 20 railroad stocks in the Dow-Jones averages. In the industrial averages there isn't a single non-dividend paying stock. Not a single one. There isn't a single stock in the Dow-Jones industrial averages that does not have a dividend record.

Now, the Dow-Jones railroad stock average, composing 20 stocks, include about 66½ million shares. 44,443,000 of those shares represent five railroads, so that about 67% of the total shares in the Dow-Jones averages represent five railroads. Pennsylvania itself represents over 13 million shares, 13,120,000 shares out of this 56 million shares; the C. & O. with about 7,500,000 shares; the New York Central with about 6,450,000 shares; the Southern Pacific with about 3,770,000, and the Canadian Pacific with 13,400,000 shares. The other 15 railroads in the averages have an average of about 1,300,000 shares outstanding so there is real leverage in some of the Dow-Jones rail stocks.

We are constantly comparing the Dow-Jones Industrials and Dow-Jones rails. From 1943 to 1937, inclusive, the industrial averages earned about $68, and they paid dividends of about $47. The railroads earned in that period about $37 per share and paid about $12. The Industrials paid out about 70% of earnings and the rails about 32% of earnings.

Now, to bring it down to the current period. Last year, the Dow-Jones industrials and

earned about $9.36 and they paid about $6.30 or about 65%. Last year the Dow-Jones rails earned about $10.19 and paid about $2.63 or about 25%.

I don't say they should, but I say this: That if railroads paid an average of $7 on the stocks in the Dow-Jones averages, there wouldn't be a 105 point spread today between the industrial averages and the rail averages and the railroad average would not sell at 42. That perhaps would be wrong, but nevertheless that would be the way the market, in my opinion, would appraise railroad stocks. If the railroads did pay $7 on the averages last year, then you would have some reason to call them war babies, but they did not.

Now, what was the effect of this very conservative dividend policy. In this period 1937 to 1943, out of that $37 worth of earnings they paid the stockholders $12. Therefore, from these 20 railroads alone, these 20 railroads in the Dow-Jones averages took into surplus $24 a share. On these 20 railroads alone that means one billion six hundred million dollars.

Now, that $1,600,000,000, not going to the stockholders, went to the bondholders in the effect of reducing bonds in the open market, or to surplus. That's why you have an almost complete restoration of bond credit in the last four years and you have stocks still selling about $2 higher than they did five years ago. They are about $2 higher than they were in 1939. As a matter of fact, they are about $25 below what they were in 1937.

The cumulative effect of the restoration of credit has been in bonds. If history means anything, if you destroy bond credit, you destroy stock prices and when you restore bond credit, you restore stock prices, and I believe stock prices will follow bond prices. At the end of another 12 months, there will be little necessity, in my opinion, for any further large bond reductions so that you could well have—I believe you will have—higher dividends on railroad common stocks and higher prices if and always if, industrial production can justify present prices of 147.

You don't have to earn $10 to pay $2. The Southern Pacific sold at 131, earnings $9 and paying $6. It's the regularity of the dividend that the customers want.

Now, to analyze these Dow-Jones averages a little further. There are only five regular dividend payers in the Dow-Jones rail averages, just five. By regular, I mean they paid all through the depression with rare exceptions, namely, C. & O., L. & N. N. & W., Pennsylvania and U. P. Those stocks are not selling at the average price of $40. They are selling at an average price of about $100. They are a test of the railroad industry with the industrial industry. Certainly not the other extreme, where you have six stocks in the Dow-Jones averages—B. & O. D. & H. D. L. & W., Illinois Central, Nickel Plate and Boston and Maine—paying no dividends and selling at an average price of $15.

Now, in between there you have the "fairly regular" group and the "nominal group." Now, in the first group, the regular dividend payers, the C. & O., L. & N, Norfolk & Western, Pennsylvania and U. P., this last year they earned $12.21 and paid $5.80. They are the regular dividend payers. In other words, they paid out about 47% of what they earned and the industrials paid out last year 65% of what they earned.

Now, in this group that I say is "fairly regular," Atchison, Coastline and Great Northern. Last year they earned $15 and they paid an average of $3.66 or 24%. The third group, the "nominal dividend" payers, Canadian Pacific, New York Central, Northern Pacific, Southern Pacific and Southern Railroad, they earned $10.18, and they paid $1.30 or 12%.

In the last group which I have enumerated, the non-dividend payers, they earned $10.47 and paid nothing.

That is the primary reason why Dow Jones averages sell at 40, but it is also the reason that they cannot be war babies. If the exact reverse of this were true, as it used to be in 1928 and 1929, where the fellows who shouldn't pay it out, like Frisco and Rock Island, did pay it out, then you might accuse them as "war babies."

In other words, if the Nickel Plate, earning $14.50, had paid out $12, then there might be some argument that these railroad stocks were war babies, but the real gains were made by the bondholders and surplus.

Let's see what happened to bonds. Today the Burlington sold refunding 3¾s close to par, yet Burlington refunding 5s sold at 71 in 1942. Great Northern 3¾s were available in 1942 at 69. You know where they are selling today, way above par.

I can go on and on and give you all kinds of examples—Southern Railway 5s, up from 88 to 118; Lake Shore 3½s, 75 to 105; Nickel Plate 5½s, at 71 in 1942; today, selling above the call price; Northern Pacific 4s, from 68 to 102; Pennsylvania 3¼s, from 81 to 103, and Pennsylvania debentures, from 86 to 103.

The "AAA" credit of the American railroads has gone down 100 basis points, so that your "AAA" bonds are selling to yield 2.90%. Your "AA" ones, as illustrated by Atchison gen. 4s, have gone down 150 basis points where they are selling to yield a little less than 3%. Your "A" bonds, which sold at an average price of around 90, have gone up to yield about 3.50%.

Now, you might say, "But they are still high grade." But here your "BAA" bonds, which sold at an average price of 68 in 1942, are today selling to yield 3.98. Now, there is the almost complete restoration of railroad bond credit. You received the market benefit in bonds rather than in stocks, so far.

What about the speculative rails, the junior bonds of those companies that were borderline? They have gone up from an average price of 46 and they closed today at about 90.

In other words—a few more points—and there will be a complete restoration of railroad bond credit in the railroads that remained solvent.

I am speaking, up to this point, on the railroads generally. The market has recognized the restoration of railroad credit in bonds and I believe it will in stocks.

Now I come to the subject that interests me most — the railroad reorganization bonds and stocks.

Despite all this progress that has been made by all the solvent railroad companies, the average price of 23 new income bonds today is about 61, to yield about 8%. Now you know, selling to yield 8% in a 3% market can only mean one thing—possible bankruptcy. That can't happen. They are in bankruptcy. They can't go into bankruptcy. They are in bankruptcy already. You still have 23 bonds selling at an average price of 61 to yield about 8%.

Now, you can't generalize on all railroads, of course, but the great majority of these income bonds, such as St. Paul, Seaboard, Rock Island, Northwest, Erie and Wabash, are better bonds in my opinion than any BAA bonds in this market, which are selling to yield 3.98%.

The fact that a railroad bond is fixed causes it to sell on a 3.98% basis, but don't forget the fact that railroad bonds were fixed caused them to sell at tremendously low prices. In other words, in 1938, how did you know what price to average a bond because it was fixed? If it were not fixed, you would have had some idea where judgment could say at a certain price that they were attractive, because it was fixed. You didn't know what the bottom might possibly be, because of the then bankruptcy risk in some of the fixed bonds.

In my opinion, the income bonds of the restored companies are going to sell—I don't mean every one, but I mean the good ones—with the BAA bonds, and I think they will do it over the course of the next 18 months or two years, and, in some cases, quicker. At the last meeting, about a year ago, some gentleman over on my left got up and said, "You have been talking about Wabash income bonds" (they were selling at 48) and they never do anything." They closed at 88 today. It wasn't over 12 months ago.

To go back again to the leverage. What you and your customers are interested in is how to make some money out of this thing. Otherwise, you would probably not be here.

The railroads in reorganization number 35 either through Section 77, or the Special Acts, or voluntary 17, have been reorganized and the securities delivered. Most of them are listed on the Exchange. Eight of them have no plans of reorganization on record. In between the eight which have no plans and the 17 which have been completed, there remain 10 which are at various stages of their progress though reorganization. These 10 comprise, without any order or preference, the New Haven, the Cotton Belt, the St. Paul, Denver, Seaboard, the Monon, Rock Island, Missouri Pacific, Susquehanna and the Frisco.

At this time, in my opinion, in order of timing, the Seaboard and the Denver are in the lead of these ten.

The St. Paul is next by virtue of the dismissal by the Circuit Court yesterday of the final litigation. The Monon and the Rock Island are next. Frisco, Missouri Pacific and Susquehanna are in the next group and the New Haven and the Cotton Belt in the next group. I am including four groups. That does not necessarily mean that the last group is years behind the first at all. Because I think, without a single exception, every one of those ten reorganizations will be completed within a year and half or two years from now.

Now, of these ten, the "Street" is trading "when, as and if" issued, in the Denver, Seaboard, St. Paul, Monon, Rock Island and undoubtedly will be trading in Frisco. So we are trading five out of ten.

As a matter of fact, we will be trading probably eight out of the ten of these securities soon after the end of the year.

Now, in the case of the reorganized companies, they have gone up, reflecting, No. 1, the progress made, and, No. 2, cash.

The Rock Island Trustee testified yesterday out in Chicago—I listened to the RFC case, that is, whether they should pay off the RFC—right today, the Rock Island has 107 million dollars in cash. They have gone up for that reason. Obviously, you can't have the solvent railroads using their cash and not promote a higher price for the bonds; likewise, you can't have huge cash not being paid out without advancing defaulted bond prices. They, too, are reflecting the cash and the progress made in the plan, and most of them have now progressed to the point where, in my opinion, with the exception of the Cotton Belt and the New Haven, there is not much chance of any successful appeal.

Naturally, you can appeal—all you need is a lawyer and the money. I mean, there is little chance of the success of the appeals, and I base that a great deal on the decision of the Circuit Court yesterday, dismissing the appeal in the St. Paul, because the Supreme Court had decided these questions—they have decided them—and they are not going to decide them twice, so the appeals take a little time, but in my opinion they have little chance.

Now, if you agree with me that income bonds are cheap, you agree, too, that the preferreds and the common stocks are cheap. At the same time, I talked about Wabash at 48, the preferred stock was selling at 23. Wabash incomes are selling at 88 and the preferred stock at 59.

I can remember fourteen or fifteen months ago, when Southern Pacific was selling at 30¾, or something like that, the bonds were at 50. It didn't make sense to me. Now the bonds are 85, and yet the stock is still at about 31. This doesn't make sense either.

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Railroads vs. Industrials--Post-War

(Continued from page 2041)

When Southern Pacific bonds go to par, the stock can't stay at 31 cents on the dollar.

Now, to get back to these eight situations. I have outlined them in speeches many times before, and I now again recommend the Frisco 4s and 5s of 1950 and the 4½s of 1978, the St. Paul gold 5s, the Seaboard 1st 4s, consolidated 6s and refunding 4s; the Missouri Pacific 5s of '81, or any of the maturities of the refunding bonds; the Rock Island 4s of '34; New Haven 4½s and Denver securities —to mention those eight situations. All those bonds are selling now at an average price of at least 20% below what they are now worth, because this is the average arbitrage price. Those that have not started trading "when issued" are selling at about 40% below what they are worth, but those prices are what they are worth now, not necessarily what they will be worth. That is important.

Now, if the income bonds are going to sell at 90 in the next twelve months, at an average price, it makes the percentage jump to 50, 70 and 90% from present levels.

Just to mention one bond like Seaboard first 4s, that get $700 income bonds; 30% in the income bonds is 21 points in the old bonds, and at the same time you create further increased appreciation because if your income bonds go up 30 points you won't need any help with the preferred and the common. It will go along with the income bonds as it has in the Erie and in the Wabash.

If you accept figures for the income bonds of around 70 to 75—if you accept prices that can be achieved in the foreseeable future of four, five or six months and taking along the preferred and common with it, there is an average spread now between these old bonds and those prices of about 60%.

If they go to par in every case there is a capital appreciation possibly of 100% from these levels and every single one of these.

Just a minute on why these things are available if they are so cheap. You know—I don't know what the figures are, but an awful lot of the bond money in this country is controlled by fiduciaries, insurance companies, banks and trustees.

So far as the banks are concerned, and unless they are selling at 95, commanding a B-1 plus rating, you cannot buy them. I don't want to go into it. You have heard me on that enough, but you can prove it now a lot more than you could before, because that rating follows prices, as these bonds go back to par—take a look at the rating difference between Burlington 5s at 71 and Great Northern at 68, and today's rating, because they are selling at the call prices.

These income bonds, selling at a 40-point discount, you can prove they are as good as the BAA bonds.

I started off years ago on railroad bonds, and in 1931, to my knowledge, they were nearly all in the banks, savings banks, insurance companies and trust funds.

I was a broker down here all my life. I never dreamed of calling an individual on a railroad bond up to that time. Now fiduciaries were our market, and in 1931 they stopped buying. We lost our market overnight. And, worse than that, they became sellers, and have been sellers on balance ever since. We had to go out and find a market, and it was not easy. We had to get the bonds down to 2, 3, 4 and 10 cents on the dollar before we could convince individuals that they should buy these bonds and hold them until they went back to the prices where the institutions could justify their purchase.

When you change a corporation from default to solvent, as in Wabash, you can see for yourself that the market appreciates. I call it a mechanical profit that occurs because in default you have more sellers than buyers; as a new solvent corporation, you have at least an equality and, generally speaking, more buyers than sellers.

To sum it up, because I know most of you are commuters, I think that the railroad industry will go up and down with the United States. They are not war babies. I have tried to prove that.

They have virtually no difficult maturities. We now have good capitalizations. We have wonderful financial conditions. We have a net current asset position of close to two billion dollars. The trucks are regulated by the Interstate Commerce Commission. The efficiency which started to come in 1940 and 1941, in my opinion, will be continued.

Our wage problems, in my opinion, are now in competition with industry, and I think we are in a better position with industry because of the wages that we are now paying. The fear of bankruptcy, even though it is still there, is false. There cannot be, in my opinion, any bankruptcy in the foreseeable future. The lack of dividends on the stocks, I think, will be made up as this thing continues.

Last, but not least, when you buy railroad bonds, you are buying in competition with corporate securities. I don't say they are as good as Governments, or municipals.

Don't forget that the competition of the market does not prove anything. It never has, and never will. There is not a TVA utility bond today with a 3¼% coupon utility that did not sell at 50 and 55 in 1934, 1935 and 1936, with a 5% coupon.

The competition in the market there did not prove that the utility industry was no good because most of those bonds, that sold at 50 cents and 60 cents on the dollar, had to come from some institution.

They are now back there with a 3¼% coupon.

Another thing is this—what the crowd wants, never, in my opinion, determines quality and the corollary to that is, if you have always been in unpopular securities or, to put it another way, if you have always been in securities when they are extremely unpopular, you have made money.

I follow those two standards, that the competition of the market does not ever prove anything, and what the crowd wants never creates quality.

So far as the market today or tomorrow is concerned, I have never been able to develop any formula for telling me what any particular security is worth at any particular moment. All I try to point out is that I like the railroad industry and I like its credit. I like the bonds that I recommend because they still sell at the biggest discounts and I believe the best values. They offer the biggest discounts because you get a double discount. You get a discount at a price the new securities are selling at, and you get a double discount because, in my opinion, the new securities are way underpriced.

In other words, I do not think you can closely distinguish between speculation and investment because, to me, it is all crystal gazing with as much intelligence as you can command to prophecy what will happen when you buy a bond at 102, or whether you buy one at 60. That is a combination, I think, of investment and speculation. In other words, it is an enlightened judgment and all I am trying to point out is that these conclusions which I have reached is on that basis.

And then, last, you can never buy the railroad industry or anything else where it is unpopular unless you have some faith and confidence in it. It is difficult to make money on facts you can absolutely prove; you must discount the event before it can be proved. What I am saying is, by discounting what will happen in the rails, I think you have a good chance for capital appreciation.

Some Problems of Reconversion

(Continued from page 2019)

cult position of trying to find the things that might be of interest to you. I probably won't succeed.

For over a year and a half, now, I have been giving all of my time to the problem of trying to see where we want to go and how we can get there in this problem of transition from wartime to peacetime. We have had a few guideposts, which might be emphasized here today.

It seemed very clear to us that the first test of any planning during war had to be this: we must first win the war, we must do everything we can to help win the war, and by no chance do a thing that might hinder the winning of the war. We can look first toward a smaller war, then to the period of no war.

We think only of business organizations and business people as standing on their own feet. I can assure you from my experience in Washington that you cannot hope, with confidence, to rely on government. So I suggest that you learn to stand on your own feet, because that is the best place, if not the only place to stand.

The other basic organization objective was that we had to plan on the long view, not the short-range view.

We saw, I would guess, a hundred thousand letters, expressing all the fears that all the world had about this post-war planning. We were fortunate to see them all, because I think we were able to avoid most of the pitfalls. Many of the situations that were bothering us a year ago are now forgotten about.

Another objective—we were determined to push it through—was this. We were not going to advocate any new machinery of government. We thought there was enough of it already. We didn't want to add a great governmental machine and we planned to use existing agencies.

Here was another keynote of our thinking. Let us plan in the national interest and not in the interest of any one group or any one territory. We were positively abusive in our report about pressure groups. Pressure groups have been bringing to the forefront their own selfish demands for some time now. Their activities are finding expression in some legislation recently passed. We have talked about groups of all kinds over the country seeking their own interests and not the good of the entire country.

We have tried to express the one point, as best any one can interpret it, that we must plan in the national interest, and not in the interests of any one territory. We have tried to develop the scope, a proper scope of government, in the field of national planning. The trend of thinking that government planning will be effective in all fields is a very dangerous one.

I think we have all gotten to look upon national planning as somewhat of a fetish. I am old enough to have seen other fetishes, and I might remind you of them. I came to the Boston Navy Yard 40 years ago. At that time, American business men were hot and bothered about the Taylor System of Industrial Management, time studies, industrial efficiency, and so forth. I came back to the Boston Navy Yard about 1909, and at that time the saving device for American business was modernized cost accounting. Then we went through the themes of organization planning and organization methods, and I think today we have gotten to the theme of national planning.

I don't know how many hundreds of organizations there are or how many thousand men there are who are troubling themselves about the problem. I have jokingly said to Mr. Baruch: "It is going to be the greatest indoor winter sport in America since the park bench has been closed up."

I can tell you my philosophy in a few words, regarding the matter of national planning. There is a field for national planning, of course, but let us get it down to essentials, if we can. I ask you this question: What good is a national plan if it cannot be made effective? I ask you, then—What choices have you to follow for making your plan effective?

I suggest that there are three and only three that I know of. There are variations, I suppose, and so I will not draw the lines too sharply at the moment on the three choices. I suppose the first way of making it effective would be to order it to be carried out. Well, that is Fascism, I suppose, regimentation, or whatever you want to call it.

Another plan is to have the state do it. But that is state socialism, and we are fighting wars about that idea. The only plan I know that is left is free enterprise. That lets the people do it, encourages them to do it, and free enterprise, I assure you, does not start with planning at the top; it starts at the grass roots, where you and I stand on our own feet, take care of our own problems, handle our own future. We can be helped by government planning, but we can be helped more by having to make our own way than by having them tell us where to go.

One difficulty that we seem not to think about in America, in the thinking of the last several years, is that we haven't yet found a way to compel consumers to do what we want them to do. We can't make consumers buy our goods at our prices. I don't know any way of doing it. Until we learn to do that, if we want to do it, we had better concern ourselves a lot more than we have about the form and scope of national planning.

We have been asked the question so often: What is going to happen to wage rates, high wage rates, after the war? I have answered frankly that I don't know, and of course, I don't know. But I said that the consumers of America are going to answer that question, and no one else is going to answer it for them.

I should like to have the man who starts planning for the future to think of his real boss, the consuming public of America, because they are going to answer these questions, and no one else is going to answer them.

In all the pressure groups in America we have been thinking about the men coming to Washington, and they have, unhappily, been of two types: territorial groups and producer groups. We don't see many people thinking about the whole national population. When we think of the whole people we think of them as consumers.

It is quite right that pressure groups should appear in Washington. I have only one objection to it. I don't want them made the judges. I don't mind their being advocates. I don't mind their being prosecutors. But I don't want them put in a position to decide.

Now, the immediate problems that have been in the foreground for the last six months in the proper field of governmental planning have been these:

Contract termination or Contract Settlement, so-called. The legislation is passed. So far as I am concerned I wouldn't change more than one word in it. I might change one word. If I could interpret that, and get Mr. Biddle to interpret it my way, I wouldn't change a word.

But let us go back a minute to the matter of contract terminations. There were only three or four important points about it. We all had ourselves concerned about detailed problems in connection with it. We had to establish the rights of the contractors versus the Government. Of course that means sub-contractors as well as contractors. We had to arrange to pay promptly. We feared we couldn't pay promptly, so we had to provide adequate, complete and quick action in the matter of loan procedure. We had to arrange to get the Government out of the contractor's plant as quickly as possible.

The policies are all set; the thinking is all done, and we have only operations to take care of now.

The reports I hear are all very encouraging. There will be faults, breakdowns, in lots of spots; but in looking at the breakdowns we must also look at the great number of successful operations.

The surplus property legislation is not in as happy a position as you will find from others who will be speaking to you today.

As to surplus property, I would like to stress one thought. I am sure others will, too. I would like to see this property sold and sold early and sold in the interests of the United States. I want to get the Government out of the position where State socialism will be a natural place to turn. I want to close the books on the war as soon as we can.

Many men will disagree with me. Many men will say that we ought to keep goods off the market—freeze them, if we will, and not sell them. But I say we have got to pay for this war, and let's get it paid for soon and get it off the books and forgotten about. It is perfectly easy to delay a decision, as we have in governmental affairs in years gone by, but I hope we are going to have the courage to take our licking and get the goods in the consumers' hands without ruining markets, and get back to a basis of stability as soon as we can decently do so.

Now, all of these plans were for one purpose: to arrange to get future jobs. It wasn't something planned for the contractors; it wasn't planned for business; it was planned for one objective alone, and that was to get an opening for jobs for people all over this country.

The War Production Board portion of the work in Washington, as we saw it and as it is now seen, is this: They had wound up this war effort. We proposed that they start unwinding it. We had to be definitive in our views, and we urged that every possible control necessary to war production be relaxed or cancelled at the earliest possible date. That earliest possible date seems now to be immediately upon the fall of Germany. I think we are all going to be surprised at how many controls business men have lived under. We have seen them grow a step at a time. I think we will see a slashing at one time of almost all of these controls.

The other important aspect of future planning that Government can carry out is in the field of corporate taxes. You will hear lots of plans about corporation taxes. Congress will labor with the problem. I am hopeful, and on only one simple ground. In

Stock Exchange Members Required to Submit Weekly Data on Round-Lot Transactions

Members and member firms of the New York Stock Exchange have been called upon by the Exchange to submit weekly information with respect to round-lot transactions for their own account or one in which they have a direct or indirect interest. In part, the Exchange advices, dated Nov. 3, issued by Louis Schade, Acting Director of the Department of Floor Procedure, follows:

To Members and Member Firms:

You are requested to submit weekly the information called for in the attached forms 81 or 82 with respect to all round-lot transactions in all listed stocks initiated on the Floor beginning Nov. 6, 1944, for your own account or for an account in which you have a direct or indirect interest.

Instructions for Filling Out Forms 81 and 82

Form 81 is to be used by specialists or relief specialists for reporting transactions in stocks in which they are registered. A separate form should be used for each stock involved.

Form 82 is to be used by other members for reporting transactions in any stock. Specialists who make transactions in stocks in which they are not registered are to use this form for reporting such transactions. A single form should be used for reporting all transactions in an account, regardless of the number of stocks involved.

Form 82 need not be filed with respect to the following exempted accounts:

Any account in which there were carried positions resulting only from transactions of any or all of the following types:

(a) Transactions of a member or firm acting as odd-lot dealer in securities in which such member or firm was registered.

(b) Transactions entered into for bona fide arbitrage.

(c) Transactions entered into in connection with a primary or secondary distribution.

(d) Transactions entered into in error.

(e) Transactions not effected on the Exchange.

Instructions for Recording and Reporting Transactions

With respect to each account for which a report is required, the price and the number of shares involved in each round-lot purchase and sale effected for such account as principal on the Exchange in any listed stock should be reported as nearly as practicable in the sequence in which the transactions occurred, including the time thereof.

All reports are to be based on **trade** (not blotter) **dates.**

In recording and reporting such transactions, if the transaction was effected at a price which was above the price at which the immediately preceding transaction in the stock took place on the Exchange, enter the designation + (plus); if the transaction was effected below the immediately preceding price, enter the designation — (minus); if the transaction was effected at the same price as the preceding transaction, enter the designation 0 (zero). These designations are to be entered in Column 8 on the forms.

The position at the opening in a stock is to be entered in Column 9 in connection with your first transaction in such stock that day. It will not be necessary to record changes in positions in that stock for the remainder of that day. Indicate "short" positions with the symbol "S." Indicate "even" positions with the symbol "O."

Odd lots are not to be included.

Only transactions INITIATED OR ORIGINATED on the Floor for own account or for an account in which you have a direct or indirect interest should be reported.

In the "Wall Street Journal" of Nov. 8 it was stated:

The questionnaire does not apply to trading by customers.

It was said to represent "the wish of the management of the Exchange to cooperate fully with the Securities and Exchange Commission" in obtaining data on member and member firm transactions and to eliminate the need for special questionnaires which have been requested from time to time by the SEC.

In making public on Nov. 6 the Nov. 3 questionnaire the Stock Exchange said:

At a meeting of members of the New York Stock Exchange, held in the Board of Governors' room this afternoon, the accompanying questionnaire and previous questionnaires which had been sent out were discussed and explained by the Chairman of the Board of Governors, John A. Coleman, and the President, Emil Schram.

This questionnaire is the third issued by the Exchange recently, relating to trading by members and member firms for their own account.

Stating that the membership pledged its full support to the measures, the New York "Herald Tribune" of Nov. 7 said:

While it has been the practice of some brokerage houses to keep a record of the approximate time of each transaction, the new rule by the Board of Governors now requires that all members and member firms "must place upon the sequence record the approximate time of each trade made by or for them."

This particular requirement was also part of the questionnaire [Oct. 3] for reporting transactions on Oct. 23 and Oct. 24, requested last week. The market took a sharp dip on those days and both the Exchange and the SEC asked for member trading records for a possible clue to the decline of quotations.

Such special requests for information will become superfluous with institution of the new rule promulgated yesterday. A running record of member trading will now be kept by the entire community. It will be compiled for every calendar week and it is requested that reports be turned in not later than Wednesday of the following week.

The new practice, it was said yesterday, will be continued until further notice to permit the New York Stock Exchange and the SEC to make a more coherent study of market activity than was possible heretofore, with particular reference to underlying orders by the membership. Reportable information includes the number of shares bought, also "long and short sales" as well as the position at the opening each day.

There are several notable exceptions. No report need be filed, for example, "for transaction entered into for bona fide arbitrage," in connection with a primary or secondary distribution, odd-lot deals, erroneous transactions and all trades not effected on the Exchange.

When as a matter of practice or policy a member or firm does not "initiate or originate transactions on the floor," they may be exempted from filing of reports upon application in writing to the department of floor procedure.

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no other way can employment be increased. If you want to ask any Congressman one question that will put him on the spot, I suggest you ask him this:

"Would you put your money into a new business or expanding an existing business under present tax laws?"

I think there isn't a man in America who wouldn't recognize that he would not put his money into expansion of business if he had a certainty of the present corporate tax law to live under.

There are many other things beyond those I have hastily sketched here, some of which are in the way of being solved or clarified, at least. You have all heard about international currency from the neighboring conference at Bretton Woods. Then there are international loans, international air transportation, international communications, mercantile marine, also international police power. They will all come under the Treaty of Peace.

Outside of that list I have only one to suggest. I know that I am a radical in the matter, but I grew up in the Navy, and when we come to the synthetic rubber program I want to advocate one idea only: That we never again expose this country to the risk of a Japanese invasion in Malaya. I don't care what the cost is to world trade or any other aspect. If we don't maintain those synthetic rubber plants in production to protect war-time needs, we are more stupid than America will be ready to admit she is.

Now, just one note here: After seeing all the fears of the world and all that the American people could write, Mr. Baruch has signed his name to a statement that if we will do these things right we will have an adventure in prosperity.

I believe that it is in the cards.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 2022)

made a high of 150.50, prices have done comparatively little. There have been about four attempts to break through that upper figure. Each effort was attended by considerable wishful thinking and hoop-la. Bullishness, always latent, came to the surface and it looked as if they were really getting somewhere. But each rally died a-borning. Stocks, taken as a whole, got just so far and then faded away. It was natural that subsequent declines would increase bearishness.

* * *

But at the same time that the market constantly backed away from previous highs it was evident that a respectable number of stocks managed to stay close enough to their old tops. With the Presidential race decided it is quite likely that the next attempt to go through the July highs will meet with much better success.

* * *

As a barometer to point the way I suggest you watch the following stocks to see which way the market will move. Anaconda at 28½, General Electric at 40 and Southern Railway at 29¼. These are not recommended as buys. They are given as individual yardsticks for you to watch. On the downside there are a few stocks which should hold certain levels if a decline is not to be signalled. These are: Chrysler at 89, General Motors at 60 and N. Y. Central at 17.

* * *

Meanwhile readers of this column still have their own stocks to worry about. With actual profits accepted in half positions at much more favorable levels, there is really nothing to concern you. For even if these stocks were to violate their critical points the profits already accepted would act as a comfortable backlog.

* * *

This column's stocks and current position is as follows: Allied Mills, bought at 28, half sold at 32½; current price about 30½; stop rest at 28. Bendix, bought at 38, half sold at 45½; current price about 45; stop rest at 42 (old stop 38). Crown Zellerbach, bought at 18; current price about 20; hold full position with stop at 18. Lockheed bought at 17, currently about 21; hold full position with stop at 18. U. S. Steel, bought at 58½, is about the only issue in the list which is more or less in the red; stock has tremendous potentials. As a matter of fact, there is hardly a general market move that can get anywhere without big steel acting as a bellwether. Yet the stock has been a disappointment. However, stock is advised to be held. Current price about 58; stop at 54.

* * *

More next Thursday.

—Walter Whyte

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Municipal News & Notes

According to present indications, the municipal fraternity is in for a not entirely unwelcome breathing spell insofar as the volume of pending offerings is concerned. Compared to preceding weeks the present calendar of prospective awards is relatively small, the largest offering consisting of the $13,894,000 New York City deal, for which bids will be opened on Nov. 14. This will not represent new financing by the city, as the sale consists of various obligations held by the municipal pension funds. The city will undoubtedly employ proceeds of the offering in the purchase of Treasury securities included in the Sixth War Loan Drive.

Among other sizeable municipal awards presently scheduled to materialize during the remainder of November are $2,800,000 by Fort Meyers, Fla., and $6,000,000 by Seattle, Wash., both on Nov. 16; $1,000,000 Savannah, Ga., on the following day, and $2,000,000 Cleveland, Ohio, transportation system revenue refundings on Nov. 30.

It will be seen from the foregoing that there will not be any spectacular addition to the supply of bonds in the market over the next few weeks. This does not allow, of course, for any unexpected business that may develop in consequence of Tuesday's voting on bond issue proposals. In this connection, it should be noted that the electorates were asked to pass on proposals involving well over $250,000,000 in bond issues.

Some of the larger propositions included $30,000,000 each by the States of California and Oregon; $26,250,000 by Houston, Texas; $22,300,000 Baltimore, Md., $22,000,000 for Harris County, Tex., and Navigation District; $16,000,000 Cincinnati, Ohio; $14,000,000 Cincinnati School District; $13,250,000 City and County of San Francisco; $12,360,000 State of North Dakota; $9,000,000 Hamilton County, Ohio; $7,500,000 Houston School District, Texas, and $7,000,000 Wayne County, Mich.

Although only a handful of reports on outcome of the voting were available at this writing, there is good reason to believe that a substantial volume of the issues will be approved by the voters. A primary incentive for authorizations rests in the fact that many of the proposed issues are intended to finance necessary municipal plant improvements which could be undertaken during the war years. Moreover, some of the contemplated work dates back to earlier depression years, when voters displayed a marked disinclination to authorize new debt additions despite the desirability or need of the proposed projects.

However, municipal indebtedness has been sharply reduced the past several years and this fact will undoubtedly favorably influence voters' judgment on a majority of the issues up for consideration on Tuesday.

Getting back to market conditions, the relatively small volume of new business now in sight will afford underwriting firms and dealers an opportunity to concentrate on distribution of bonds now in hand. The aggregate amount has been estimated at about $100,000,000 and, with the Sixth War Loan Drive scheduled to open on Nov. 20, dealers will lose little time in seeking to distribute a material portion of the available supply in advance of that date.

International Trade and Bretton Woods

(Continued from page 2021)

pacity for making war. These achievements did not just happen. Rather, they are a credit to our daring conception of what America could do when the pressure was really on. They are a credit to the boldness, courage and determination with which we have met the war time problems of production, shipping and military operations.

The question naturally arises therefore as to whether this country is prepared to meet the challenge of total peace in the same way that it has met the challenge of total war. Will we approach the problems of peace with the same boldness of conception, the same courage and determination as we have approached the problems of war?

Nor are we in this country alone in mulling over this question today. Thinking people, hoping people all over the world, are desperately interested in whether the end of this war will mean only a cessation of armed conflict by a crippled and exhausted world—a world too weak and too spent to care for its own wounds, its own hunger and its own freedom. Or will the world call upon its latent reserves of strength and courage to build for world peace on solid foundations? Will America serve in peace as she has in war as a powerful inspiration to the old world? Will she put her broad shoulder to the wheel of world peace?

An Economic Peace Essential

For the attainment of world peace and world prosperity is not the automatic by-product of winning this war. All history and our own experience point to the fact that peace and prosperity have never come to those who merely sit and wait for such blessings. Instead, we all know now that we must wage peace as we have waged war—it must be an all out effort, we must attack on all fronts and we must be ever vigilant.

And when we speak of "peace," I find that I have a natural tendency to focus on its obvious and passive features and ignore its more subtle and positive phases. I think this may be a habit of thought which others too, have experienced. Thus, I find that my dictionary defines "peace" as "the absence or cessation of war, strife or discord." Our literature, histories, newspapers and our conversation almost universally emphasize the passive and negative features of the word "peace." It has the same lack of dynamic qualities that we ascribe to the word "darkness" in defining it as the "absence of light."

In my mind this negative and passive concept of "peace" is unfortunate. I think most people would agree that "peace" can no longer have the connotation of "inaction" or of "rest." Instead, we need to think in terms of a new definition—a new concept that will more vividly portray the dynamic qualities of "peace"; one that will drive home the fact that "peace" does not mean "inaction" but rather "action"; and that it does not mean "rest" but rather "work."

To me, the true concept of "peace" is more nearly defined by a coined phrase, namely, we must "wage a total peace" just as we have come to "wage a total war."

Most of us, this time, are going to keep in mind that in waging this "total peace" it is essential to recognize that like "total war," "total peace" has many fronts. We all know today that total war is not merely the armed conflict of two nations or two military forces. To us, total war means conflict at every level. It means a war fought between forces on a national political plane—which we call the "diplomatic front." It means a war fought on the economic front — which we call "economic warfare." It means a war fought on the propaganda front—which we call "psychological warfare." It means a war fought out in the production lines—which we call the "home front." No one today doubts but that it means war on every front known to man—that is precisely why we call it "total war."

"Total peace" must be achieved on these same fronts lest we awaken one day to find, for example, that although we made elaborate plans for a world political organization to maintain the peace—we permitted within our walls the Trojan Horse of economic warfare which has so undermined the economic foundations of the world that new Hitlers and new Mussolinis have arisen to lead their countries to prosperity through aggression. None of us should forget the fact that armed conflict in this war followed—not preceded—the Axis dictators' attacks on the economic front and on the home front. Thus, while we tend to associate the beginning of the war with Hitler's invasion of Poland, this was really only the final phase of a war commenced years earlier.

Hitler was at war on the political and economic front as early as 1938 when he forced the anchluss with Austria, so that Germany and Austria might function as one political and economic unit. In fact Hitler was at war against the democracies throughout the 1930's when he conquered market after market in Europe, in South America—yes, even here in the United States through economic penetration. He mobilized the economic might of Germany in the early thirties and by means of ruthless foreign exchange and currency practices, by means of trade restrictions and cartels, he sapped the economic power of the democracies so that one after another they toppled before him when he set out to make the "kill" in September of 1939. And what Hitler did, is also the story of what Hirohito and Mussolini did.

What these Axis leaders did spells exactly the scope of what the democracies failed to do in waging peace, and graphically illustrates what we now must do in waging total peace. And it is in terms of these fundamentals that representatives of 44 nations worked together at the Bretton Woods Conference to solve some of the basic international economic problems which must be dealt with if we are to wage total peace.

I now want to discuss those phases of the economic front which were dealt with at the United Nations Monetary and Financial Conference at Bretton Woods last July. But I want you to see them in their true perspective against a background of plans for a "total peace" and not as isolated measures. And to appreciate the role these programs will play also requires an appreciation of the economic problems with which they must cope.

Only in a prosperous world, free from the ravages of economic warfare, can we have the conditions necessary for permanent world peace. We have learned that just as the United States cannot afford to be isolationist in its political philosophy, neither can it stand the malignant effects of economic isolationism.

I know it is not news to you that many nations whose industries have been devastated by the war will be unable to reconstruct their economies without the aid of foreign capital. Heavy amounts of capital must be provided to make possible the additional purchases which will be necessary to restore the industries and farms in these war-torn countries. Only with substantial aid from the other countries of the world can these countries reconstruct their economies. The peace and prosperity of the post-war period will depend in large measure on a rapid return of these countries to full production and a high level of real income.

Economic Aggression to Be Outlawed

But providing capital with which to aid in the reconstruction of war torn areas and the development of resources in backward countries is not enough. Prosperity in this country and throughout the world also depends upon the channels of trade and commerce being open—upon a high level of profitable foreign trade. We must provide the basis for stable and orderly economic relations just as we must provide the basis for political peace. We must eliminate economic aggression just as we must outlaw war. Certainly economic warfare is no foundation upon which to erect a structure of lasting peace. Rather our goal—and the goal of every country—must be a genuine increase in the total amount of foreign trade so that the expansion of one nation's exports is not at the expense of its neighbor.

But how do we go about this clearing of the channels of foreign trade? How do we uproot this persistent tendency for cut-throat competition for foreign markets?

Currency Wars vs. Economic Cooperation

There are some who tell us that except possibly for the provision of capital for the reconstruction of the war-torn areas, each nation should work out its own foreign trade and foreign exchange problems. In the United States there are those who say that all we need to do is to maintain complete freedom of exchange dealings and the convertibility of our currency to gold and we will encourage other countries to do likewise by our example. In this way, it is said, the level of international trade and the balance of international payments will be automatically adjusted. I fear, however, that the people who advocate this kind of a do-nothing policy have forgotten the lessons of recent history. They are still afflicted by a passive and negative concept of "peace." They have not conceived the essential nature of waging "total peace."

During the 1920's most nations returned to the gold standard and earnestly tried to maintain the convertibility of their currencies into gold without exchange restrictions. But in the period of financial strain after 1929 the system broke down. During the 1930's nearly every nation of the world went off the gold standard, and with its break-down surged the flood tide of economic war.

This is not a criticism of the gold standard as such. Nations need a common measure of the value of their currencies, and gold has proved itself to be an excellent instrument for this purpose. But the basic reason for the monetary difficulties which the nations of the world have experienced in recent decades lies in their attempt to work out by themselves problems which can only be tackled through international cooperation.

Foreign trade is carried on by means of a complicated monetary mechanism. We have all seen what happens when this mechanism suddenly breaks down. Foreign trade declines, and in their efforts to protect their domestic economies nations turn to all kinds of restrictive measures which involve economic rivalries and spread unemployment from country to country. Thus, countries used the method of deliberately cheapening their currencies as a means of capturing a larger share of the international trade from other countries. Through such methods countries attempt to gain some advantage for their own exporters at the expense of exporters in other countries.

But any advantage which countries may gain in this manner is bound to be short-lived. Sooner or later other countries will voluntarily or involuntarily retaliate by the same or even a greater amount of depreciation of their own currencies. And, currency manipulation as an economic warfare measure was not confined to mere depreciation. It also took the form of using multiple currencies, blocking trade balances, discriminatory foreign exchange controls and clearing "agreements"—in fact it assumed the form of every financial and monetary device used by Hitler to break the economic backs of his enemies.

What were the results of this attempt by nations to work out their international economic problems by means of discriminatory practices and without adherence to any common rules or standards of fair international trade dealings? It has become only too clear that when nations try to solve their foreign trade problems by adopting a policy of economic warfare, the result is individual and collective failure.

No nation has been able to profit in the long run from a policy of restricting trade or of increasing its own trade at the expense of its neighbor. No nation can insulate its economy from economic forces in other countries through a policy of economic isolation. The lesson of the decade immediately before the war is that nations can only expect to solve their common economic problems through international cooperation.

Need of International Trade Standards

What we need if we are to re-establish international trade on a sound basis after the war is a set of standards to which all of the United Nations can undertake to adhere without endangering their domestic economic welfare. Only in this way can we plan for an expansion and balanced growth of international trade and for the elimination of those trade practices which inevitably involve serious economic rivalries and are a factor in making for wars.

Then, too, quite apart from its relation to world peace, we in this country have an immediate and vital economic interest in a high level of foreign trade and investment as a means of providing jobs for American labor and as a condition necessary for prosperity at home. Our productive capacity and our ability to produce goods have increased enormously since the beginning of the war. If we are to maintain a high level of employment in the post-war period we will have to sell from 12 to 15% of our manufactures and agricultural products abroad.

In a word, a high volume of foreign trade means all the difference between American industry running at high capacity and getting a reasonable return on its investment, and American industry running at low capacity and with a low total volume of profits. You know better than I what that difference signifies for you and the American people, how it achieves practical expression in management being prepared—being eager—to make new investments and to place venture capital freely, as distinguished from a harassed management holding on and merely trying to minimize losses.

Thus we see the major significance of a balanced growth in world trade toward establishing a permanent basis for world peace and prosperity. We also see two major avenues of approach to the problem of developing healthy world trade. First we must restore stability to the currencies of the world and free the channels of trade. Second, we must insure the war-torn areas and underdeveloped nations with adequate facilities for obtaining capital to establish their economies on sound foundations. These are "musts" in any realistic program for world peace and prosperity.

The Bretton Woods Agreements

These were the problems which 44 countries tackled at the Bretton Woods Conference last July. But while the agreements dealing with these problems emerged from the Bretton Woods Conference, it should be remembered that the forging of such agreements is the product of years of work—work not only in this country but abroad as well.

Two years ago the technical experts of the Treasury Department, the State Department, the Federal Reserve Board and several other governmental agencies began discussions with the technical experts of some 30 countries for the purpose of exploring means by which all nations could cooperate in the elimination of destructive exchange practices and the promotion of exchange stability. These discussions disclosed universal agreement by the experts in all countries that international cooperation was essential for the reconstruction of world trade and the promotion of a high level of world prosperity after the war.

From these discussions emerged the United Nations Monetary and Financial Conference at Bretton Woods, N. H., last July. At this conference the representatives of 44 nations met together in a spirit of cooperation and mutual understanding to work out their common monetary and financial problems. Articles of Agreement were prepared for the establishment of an International Monetary Fund and an International Bank for Reconstruction and Development. These agreements do not bind any of the nations represented in the conference. Instead, they will be submitted to the Governments of each of the 44 nations for approval or rejection.

The Bretton Woods Agreements deal with monetary and financial relations among nations and do not deal with trade agreements as such. But I need not tell you that monetary and financial difficulties have in the past represented the greatest barrier to international trade. Of what use would a trade agreement be with a country pursuing the monetary policy Germany was pushing in the 1930's?

The fundamental purpose of the International Monetary Fund is to promote an expansion and balanced growth of international trade through the maintenance of exchange stability and the elimination of restrictive and discriminatory exchange practices which destroy world trade.

It is therefore the objective of the International Monetary Fund to establish rules of fair conduct for international transactions, and to eliminate discriminatory and restrictive currency practices which limit the making of payments between importers and exporters in different countries.

The Fund also seeks to stabilize the values of the currencies of its members. This objective ties in with the principle of removing barriers to foreign trade since rapidly fluctuating exchange rates and chaotic exchange markets have been in fact an important barrier to trade.

How will the International Stabilization Fund carry out these purposes? Under the Fund Agreement, each member nation would obligate itself not to engage in harmful exchange practices. Specifically, nations agree not to engage in competitive exchange depreciation. They agree not to change the value of their cur-

rencies, which would be expressed in terms of gold, except under conditions defined by the Fund Agreement. Member countries also agree not to impose restrictions on importers who want to make payments for commodities and services which they want to purchase from other countries and not to engage in other types of restrictive and discriminatory exchange practices.

But countries cannot undertake the obligation to adopt such policies unless they are assured of access to financial aid in time of emergency. In order to give assurance to countries in meeting their needs, the Fund is provided with resources amounting to $8,800,000,000. This amount, of which the shares of the United States is approximately $2,800,000,000, is subscribed by the member countries in the form of gold and local currencies. When member countries need help in maintaining their exchange rates they will be permitted to buy limited amounts of foreign exchange from the Fund in order to give them time to restore a proper balance in their international accounts.

How much more sensible it is to have international facilities to facilitate the adoption and application of such remedies than to let an adverse balance due to temporary causes generate a whole cycle of cut-throat competition, competitive currency depreciation, restriction, etc., all of which directly contribute to depression at home and abroad and to the poisoning of the whole atmosphere of international political as well as economic relations.

Where, however, the short-term adverse balance of payments is due to more basic causes, some slight readjustment in exchange rates may be necessary. Stability does not mean rigidity. The international economic position of each country is not static. It cannot be in a world of change. Therefore it may be desirable and necessary to attack a deep-seated maladjustment by some modification of the exchange rate. The Fund's machinery provides for this contingency too; its specific contribution here is to insure that such readjustments are made in an orderly manner, and with due provision for consultation with the Fund.

Here again the whole emphasis of the philosophy behind the Fund is to put a maximum of obstacles in the way of indiscriminate resort to currency depreciation. We all know from past experience how different pressure groups in various countries have advocated modification of the exchange rate when sufficient justification for a change did not exist when they were merely seeking an easy way out of their own immediate problems. And we also know that it is not always easy to resist such demands. But membership in the Fund, with its responsibilities as well as privileges, will heighten each country's awareness of the need for avoiding changing exchange rates except if absolutely essential and except as an orderly process carried through in close consultation with the Fund.

While the International Monetary Fund would in itself tend to stimulate foreign investment by providing orderly exchange markets and by removing restrictions on the making of foreign payments, the International Bank for Reconstruction and Development is designed specifically to promote international investment. The Bank would encourage private investors to undertake international investment by guaranteeing loans made through the usual investment channels. In exceptional cases, where private capital is not available, the Bank would make loans out of its own resources.

It is important to have a substantial volume of foreign investment after the war, but we do not want to repeat the mistakes of the 1920's during which a large volume of improvident loans were made. Unsound loans made at high interest rates inevitably lead to losses which are harmful to economic and political relationships. No loans would be guaranteed or made by the Bank unless a competent committee, after studying the proposed project, reports that it would increase the productivity of the borrowing country, and that the prospective balance of payments of the borrowing country is favorable to the servicing of the loan. In this way the Bank would encourage private investors to provide funds for sound and productive international investment that would contribute to the reconstruction and development of the world's resources and to the expansion of world trade.

Merits of the World Bank

In evaluating the merits of the World Bank it is important to keep in mind these two principles:

First: Not all countries will be in a position to lend money to other countries. In fact, it is only realistic to assume that in the early post-war period the great bulk of capital needed to reconstruct the war-torn areas must be raised in the United States or it may not be raised at all. As a result of the war this country is in a better position than any other to furnish the major portion of the machinery and equipment which will be needed for speedy reconstruction.

Second: While the United States may have to furnish much of the capital initially for this reconstruction, we alone should not bear the risk of repayment. It is true that the export of billions of dollars' worth of machinery and equipment from this country after the war will contribute enormously to full employment here. Nevertheless, the whole world also benefits by getting these war-torn and underdeveloped countries back on their feet.

The World Bank operates on these two principles. Thus it recognizes that the United States will have to provide much of the capital and the goods. But in turn all countries agree to share with us any losses through default. They in fact agree to make good on such losses in gold or dollars. The net result is that although we get the benefits of sound investments and increased employment from making the loans, we only have to bear approximately one-third of any losses. This is certainly a vast improvement over some of the so-called counter plans that envisage the United States alone as putting up all the money loaned and also bearing 100% of any losses. The World Bank is just plain Yankee common sense when evaluated in these terms.

I should not want for a minute to leave with you the impression that the establishment of the Monetary Fund and World Bank are all that is needed to insure world peace. On the contrary, they are but two of the pillars in a structure requiring many pillars. That the Government recognizes this fact is evident from the recent release of the Dumbarton Oaks plan for a United Nations security organization, from the establishment of UNRRA, the World Food Organization and the pending plans for discussion of the problems of world tariffs and commercial policy.

And let's not overlook one further aspect of this problem of reconstruction. These people in Europe who have been ground under Hitler's heel for years have stood an awful lot. But there are growing signs—signs that the wise will take as warning signals—that these people have just about reached the end of their capacity to take it. They are in no mood to be merely apathetic if after liberation they find themselves saddled with the prospects of unemployment, hunger and makeshift homes put together out of rubble.

They are going to expect action on the part of their governments; quick and decisive action to meet these most fundamental of all needs. And they are either going to get that kind of action or we are likely to witness an explosion—an explosion of civil strife and political upheaval that may shake Europe to her very foundations.

I am not trying to be an alarmist, and I certainly do not believe in brooding over the dark side of these problems. But I do believe in being a hard-headed realist. I do believe that all of us have got to face these facts with our eyes wide open.

This much I do know; the representatives of these nations at Bretton Woods were facing up to these facts in their own thinking and in their fervent efforts to work out in advance concrete plans for dealing with these problems. They were far past the stage of academic and theoretical discussion of the pros and cons of every plan in search for an ideal or perfect plan. What they wanted was a practical plan—one that would work—a plan that would hold out to their people genuine promise that in its realization rested their hopes for a new Europe—a democratic Europe.

But I know, and you know, and the people of Europe know, that their attainment of these goals depends today upon the United States. Whether you put the issue on the high and noble plane of acting from motives of generosity and love for fellow man, or on the narrow plane of looking after our own self interest, the answer must be the same. America cannot afford economic isolationism. We in this country have got to do our part in getting these war-torn countries back on their economic feet. We must show these countries—and show them soon—that just as the United States is ready to do her part now in establishing international machinery for preserving world security, so is the United States ready now to join with them in international economic cooperation.

We are at the crossroads. Either the economic problems of the world are going to be solved through international cooperation or nations will again turn to economic isolationism or the formation of rival economic blocs. In the field of international monetary relationships the latter way means a return to the restrictive and discriminatory currency practices which characterized international dealings in the 1930's. It means a return to economic aggression of the sort which preceded this war. On the other hand, international cooperation points the way to an expanding world trade for the benefit of all nations and assures the economic conditions for a durable peace.

There can be but one choice for us. The United States, as the greatest political and economic power on earth, must assume the leadership in developing a workable program of international economic cooperation. I believe that the Bretton Woods proposals for the establishment of a Fund and a Bank are a necessary part of such a program.

Financing Foreign Trade

(Continued from page 2020)

place only if the Bank for International Reconstruction and Development is established. But even in this case it will take time before the securities guaranteed by the Bank become popular among investors.

"The greatest role in the financing of foreign trade, notably capital goods, will be played by private corporations. Not only is there a strong possibility that large American corporations producing capital goods will be willing to accept trade acceptances of foreign governments or their trading agencies, as was the case with Russia during the '20s and '30s, but also the volume of direct investments abroad, if economic and political conditions are sound, is bound to be very large. The productive capacity of the country has increased materially. This was accompanied, however, by an increase in the cost of production and many plants will be unproductive and will be replaced by new machinery and equipment. The older plants, however, could operate profitably abroad where costs of production are, and will continue to be, lower.

"Direct investments have a number of advantages over loans publicly offered in the foreign market. In the first place, the transfer problem is greatly minimized since foreign subsidiaries do not immediately reach the break-even point and the initial profits are generally plowed back into the business. If direct investments should assume the mixed form, i.e., should attract local capital, the transfer problem will be further eased. Direct investments also lead to better management as well as to the greater utilization of foreign experts."

However, Dr. Nadler admitted that "Government agencies will continue to play an important role in financing foreign trade in the immediate post-war period, at least until the balances of payments of the various countries are better adjusted," and added that, "One may, therefore, expect that the Export-Import Bank will continue to finance medium-term transactions."

Referring to the International Monetary Conference's plans, Dr. Nadler said: "Initially the Monetary Fund as well the Bank for International Reconstruction and Development, if established, will also play an important role in financing the trade of the world. However, as the economies of the various countries are gradually readjusted, as the various foreign exchange controls are removed and currencies are stabilized, one may expect that private institutions will play the dominating role in the financing of the international trade of the world. Commercial banks will finance the self-liquidating transactions while direct investments and a moderate amount of long-term loans will finance the exportation of capital goods. Sound foreign trade relations would not merely aid in the rapid reconstruction of the world but could also play a very important role in the creation of satisfactory employment conditions in the United States."

Dividend By Ore.-Wash. Joint Stock Land Bank

A further dividend of 10% of the outstanding principal of farm loan bonds issued by the Oregon-Washington Joint Stock Land Bank of Portland, Portland, Oregon, and unmatured interest accrued thereon up to and including April 30, 1936, has been declared as of the close of busines October 20, it was announced on Oct. 15 by Geo. B. Guthrie, receiver.

The Securities Salesman's Corner

By JOHN DUTTON

Practically Every Industry Is Represented by Attractive Over-the-Counter Securities

The claim is often made by exponents of the theory that "the best stocks are listed," that the over-the-counter markets are too limited in scope. They admit that there are some securities, of course, that lend themselves to over-the-counter trading and represent attractive investment opportunities but say that too many times purchasers of over-the-counter securities cannot find the diversification and the type of securities they require.

An investigation of the true facts INDICATES THAT JUST THE OPPOSITE IS THE CASE. There is hardly an industry that you can mention that is not represented by securities of progressive companies which are traded in the over-the-counter market. Time and again stocks have been taken off the over-the-counter market and listed on some national exchange ONLY TO GO DEAD MARKET-WISE. Other stocks have been delisted and traded in the over-the-counter market and as soon as they had dealer sponsorship, and it was profitable for some investment house to maintain a good market, over-the-counter **activity increased.**

The REAL OPPORTUNITIES WHICH ARE AVAILABLE IN BUYING STOCKS IN THE OVER-THE-COUNTER MARKET, HOWEVER, ARE IN THE FIELD OF UNDERVALUED SECURITIES. Time and again the writer has investigated over-the-counter securities of every type and description, from rails to public utilities, and has uncovered situations that have had no counterpart, and could not be duplicated for value, price appreciation possibilities and future outlook. Other dealers in securities have had similar experiences—exceptional opportunities for profit through the purchase of UNDERVALUED OVER-THE-COUNTER SECURITIES have presented themselves. If you know how to judge values — if you have the patience to get behind the figures AND IF YOU LOOK FOR THEM, SOME OF THE VERY BEST BUYS ARE OVER-THE-COUNTER.

For instance, people have been saying that the railroad equipment industry outlook is favorable. We believe that this is so. Stocks such as American Locomotive, Baldwin, Pressed Steel Car have been active and higher on the New York Stock Exchange. The other day we were voicing our opinion that the over-the-counter market is the place to find the real bargains in securities and we were challenged to the effect that the market was too narrow—in fact we were asked, "How about a cheap rail equipment, what are you going to do there—where can you find an over-the-counter rail equipment that is as attractive from a price and future outlook standpoint as such stocks as Locomotive, Baldwin, and Pressed Steel Car?"

Sometimes it's easy to talk and difficult to perform—offhand we were stumped for an answer but such a challenge was not to be ignored. In a few days we found several over-the-counter rail equipments and as a result of our search dug this one up—WHAT DO YOU THINK OF IT?

Thirty-nine-year-old company. Output comprises all types of railroad freight cars, miscellaneous car parts, steel car frames and gray iron castings. Capitalization: No funded debt, small amount preferred stock, 128,301 shares of common. Dividends paid in 1943, $1.00; 1942, 75 cents (now 40 cents regular, plus extra). Earnings likely to be augmented substantially over present indicated $1.00 per share upon repeal of excess profits tax. **Present market price under $8 per share.** COMPARE THIS WITH SOME OF THE PRICES, EARNINGS, DIVIDENDS, CAPITALIZATION, OUTLOOK FOR MANY OF THE LISTED LEADERS IN THE RAIL EQUIPMENT FIELD.

Many of the outstanding "buys" are to be found in the over-the-counter markets. Successful securities dealers are daily proving that this is true — their customers have become educated — they too know that "is it listed?" is no longer a query that is posed by an astute investor.

FDR Elected to Fourth Term

(Continued from first page)

trasted with the 37 they now occupy. The Senate's lone minor party member was not up for election this time.

"In the House, forenoon totals showed 187 Democrats elected, 104 Republicans."

With returns still incomplete, latest reports last night (Nov. 8) gave the President 34 States with 407 votes in the Electoral College and Gov. Dewey 14 States and 124 electoral votes.

The record of the popular vote showed that with 97,297 of the country's 130,810 voting units reported, the vote stood: Roosevelt, 19,721,303, and Dewey 17,299,523, a total of 37,031,826.

Reporting on the situation, so far as it was known late yesterday, George Van Slyke in the New York "Sun," said in part:

"New Jersey, after shifting to the Dewey column at mid-day, teetered back toward President Roosevelt, with the results so close that it appeared that a complete canvass of the soldier vote would be necessary definitely to settle the issue. . . .

"The President was gaining in Ohio and Michigan and he threatened to capture both these States from Gov. Dewey. In that event, providing he retained his lead in the other States in his column, President Roosevelt would run his electoral vote up to 451 against 80 for Gov. Dewey. In his third-term election, the President received 449 electoral votes to 82 for Wendell L. Willkie.

"Although Gov. Dewey was ahead in Michigan, the Detroit 'News' predicted today that final returns would give the State to Mr. Roosevelt by a plurality of 50,000. The President whittled steadily at Gov. Dewey's lead in Michigan as the overwhelmingly Democratic Detroit vote began to roll in. The big CIO vote in the Detroit-Willow Run area was the greatest venture of Sidney Hillman's campaign, because of the 250,000 migrant workers on the CIO voters' lists there.

"One 11th-hour surprise was the belated swing of Ohio toward the Roosevelt banner. Another surprise was the failure of the rural Republican districts in Minnesota to reduce Mr. Roosevelt's lead in that State as effectively as Republican leaders had predicted they would.

"The Republican candidate cut materially Mr. Roosevelt's 1940 plurality of 177,000 in Philadelphia, but Pennsylvania definitely was in the Democratic column. The State had been viewed as doubtful, with many forecasters giving Gov. Dewey the edge.

"Gov. Dewey's failure to carry his home State came as a bitter disappointment to him and to the Republicans. His nomination was dictated by the conviction that he was the only Republican who could win New York State's 47 electoral votes, which he lost by 251,838 ballots. With 9,086 of the State's 9,121 election districts reported, the New York State count showed: Roosevelt, 3,278,640; Dewey, 3,026,802.

"Representative Clare Booth Luce of Connecticut and Representative Clare Hoffman of Michigan, both outspoken critics of the New Deal Administration, withstood the Democratic sweep and were re-elected. Representative Hamilton Fish of New York, who had been assailed as an isolationist, was defeated.

"Senator Robert F. Wagner was re-elected, defeating Thomas J. Curran of New York decisively. . . .

"Mr. Dewey made the best run for the Republicans of the four Roosevelt campaigns. While the President's victory is tremendous in electoral votes, the popular vote for the Republicans showed a strong upward trend from the depths of the last three elections and the minority which supported Mr. Dewey exceeds the party vote since 1932. In many of the big northern States, the popular vote was surprisingly close in view of the total result nationally.

International Monetary Fund Backed By Brown

Edward E. Brown, President of the First National Bank of Chicago and sole representative of private finance in the American delegation to Bretton Woods, said on Nov. 3 that the "only alternative" to the international monetary fund is to "no dothing," or attempt to make temporary and bilateral agreements. United Press advices from Chicago on Nov. 6, which indicated this, also further quoted Mr. Brown as follows:

Admitting that the fund is "not a panacea," and that it cannot alone "solve the economic problems of the world," Mr. Brown declared that some form and degree of stabilization is "indispensable," and that no plan involving less risk to America has been suggested.

In answer to the "most popular" criticism, that the United States will be the only country to put up currency in demand and that she will be left "holding the bag" when her gold and currency is gone, he said:

"The fund will have a considerable amount of gold from other countries which the Germans did not get, and any gold holdings or holdings of American dollars by any country must, as they increase, be used to repurchase part of its currency held by the fund over its quota."

Mr. Brown said the technique of borrowing provided by the fund is the normal technique of stabilization operating between the central banks of various nations.

Summarized, other criticisms and Mr. Brown's answers are:

1. Criticism: The plan is premature. Answer: Unless the liberated European nations are to fall into chaos they must have currencies with some degree of stability to use as a basis for international trade. If economic reconstruction and balanced budgets must precede currency stabilization it must be put off for a generation.

2. Criticism: The fund is too large and would encourage countries to delay balancing their budgets. Answer: War-caused dislocations in trade will lead to larger fluctuations in exports and imports in the first few years after the war than normally, thus requiring larger funds.

3. Criticism: The fund will be controlled by borrowers. Answer: The majority of control will be in the hands of the United States and other nations.

4. Criticism: The fund is not a stabilization fund. Answer: The fund is "not intended to tie any country's currency to the gold standard," but is designed to "make changes more difficult" and to end "the nuisance of multiple currencies, competitive exchange depreciation and prevent currency manipulation."

5. Criticism: The fund does not eliminate exchange controls or solve the problem of blocked balances. Answer: Because the post-war period will be "one of difficulty and transition," exchange controls should not be eliminated at once. Blocked balances must be worked out between the United Kingdom and the countries concerned, as the Bretton Woods conference could not undertake adjustment of defaulted international debts.

NHA Estimates Housing Needs

(Continued from page 2019)

duction—about 300,000 units above any year in the past—would wipe out half of the substandard dwellings now standing, eliminate a number of units equal to the number that will become substandard by the end of 1955 and replace losses by fire, storm, flood and other hazards. It also would allow for a margin of 5% vacancies in the total housing supply at the end of the period.

For the purposes of the survey, NHA had to select an arbitrary 10-year period, so assumed that it would extend from Jan. 1, 1946, to Dec. 31, 1955. It stressed the tentative nature of the conclusions reached, declared that "all estimates about future housing needs are subject to very widely differing opinions and assumptions," and added:

"By their very nature, such estimates have to be based upon assumptions about the present and probable future course of the national economy—the size of the national income, its distribution, the increase in number of families, the future distribution of families between farm and non-farm areas.

"Within the narrow field of housing, equally important assumptions have to be made and usually on even less factual bases. They have to do with the proportion of income that families will pay for housing, the amount of undoubling that may be expected under reasonably favorable economic conditions, the best available indexes of substandard housing, and the rate or rates at which the existing supply of housing will decline in price in the face of a given volume of new construction.

"Relatively slight differences in any of these assumptions will result in very considerable differences in the final estimates of housing need."

With these qualifications, NHA estimated, in terms of 1944 prices and assuming an average post-war annual income of about $125,000,000,000, that one-third of the required units should be of a type to rent for less than $30 a month in order to meet the requirements of lower-income families. Another one-third would be needed at rentals ranging from $30 to $50 a month with a sale price of from $3,000 to $5,000. The remaining one-third, it was estimated, should rent for $50 a month and up or sell for $5,000 or more.

Half of the total estimated need, the study showed, should represent additional housing to take care of the increase in the number of households. The other half is replacement need.

Estimates of the new need fell into four general categories: (1) normal increase in families and migration from farms, 4,100,000 (2) married servicemen's households to be established or re-established, 1,400,000; (3) undoubling of married couples living with another head of a household, 700,000, and (4) 100,000 units to bring vacancies up to 5% of the total housing supply in 1955—a total of 6,300,000 units.

Largest single category in the 10-year estimate of need is 6,100,000 units to replace substandard structures. Also included in the estimate are 200,000 units to replace those destroyed by fire, storm or flood during the 10-year period—adding up to 6,300,000 units.

The report explained that about 7,000,000 units were substandard in 1940 and that it is expected that about 2,600,000 will become definitely substandard between 1940 and the end of 1955. Replacement of half the 1940 substandard units, or 3,500,000 units, and the 2,600,000 units would represent a total job of 6,100,000 units—and still leave 3,500,000 substandard units to be replaced in the 10 years after 1955.

The size of the estimated annual post-war production need can be judged from the fact that the nation's biggest residential building year (1925) produced about 930,000 new units and an annual average of 700,000 was recorded from 1920 to 1929.

Non-farm home construction then fell to a low level of 93,000 in 1933 and slowly rose to about the 1920-1929 average by 1941, when 715,000 homes were built.

Discussing the replacement of substandard units, the NHA report said that the need for major repairs and the absence of a private bath or toilet in dwelling units in metropolitan districts were used as measures of the number of units in 1940 that were substandard and needed replacement. These statistics were derived from the 1940 census of housing.

"It is recognized," the report said, "that a unit does not need to be demolished merely because it lacks a private bath or because it is in need of major repairs. However, these conditions are closely correlated with the need for demolition resulting from other factors, such as lack of light and air, which make dwelling units unhealthful places of habitation."

It was assumed in the study, however, that the number of units substandard through need of major repairs or the lack of private bath or toilet is a "reasonable, although rough" measure of the number of units that should be demolished.

"Some of the units needing major repairs or lacking private baths and toilets may be renovated," the report set forth, "but, on the other hand, some units may be in good repair and have private baths, but may be seriously substandard for other reasons. Also, some physically standard units may have to be demolished because they are situated in substandard areas which require clearance as a whole."

In setting forth the field covered in making the estimate of need, NHA said:

"It is not a prediction of how much or what kinds of housing actually will be built in the decade after the war. It is not an inflexible schedule that must be met for the decade or any part of it. It does not deal with methods of financing, producing or owning the housing units that will be needed.

"Predictions, schedules, housing machinery and methods all have their important places, but they are properly separated from the preparation as objective and dispassionate estimates of over-all need as can possibly be made."

NHA added that the national estimates and percentages in its report could not be applied "to any particular city or locality."

Calendar Of New Security Flotations

OFFERINGS

FOREMOST DAIRIES, INC., has filed a registration statement for 13,000 shares of preferred stock, 6% cumulative, par $50, and 75,000 shares of common, 20-cent par value. The shares are issued and outstanding and the offering does not represent new financing. Filed Sept. 30, 1944. Details in "Chronicle," Oct. 5, 1944.

Offered—13,000 shares 6% preferred and 75,000 shares of common offered Nov. 6, the preferred at $50 per share and the common at $7 per share, by Allen & Co., Kirchofer & Arnold, Inc., Courts & Co. and Johnston, Lemon & Co.

GOODALL - SANFORD, INC. (name changed from Goodall Worsted Co.) has filed a registration statement for $2,800,360 3½% sinking fund debentures and 246,566 shares of common stock (par $10). The debentures and common stock are outstanding securities of the company which are being sold by stockholders of the company to the underwriters. Underwriters are Union Securities Corp., W. C. Langley & Co., Blyth & Co., Inc., First Boston Corp., Harriman Ripley & Co., Inc., Smith, Barney & Co., Stone & Webster and Blodget, Inc., A. C. Allyn & Co., Inc., Hemphill, Noyes & Co., Paul H. Davis & Co., F. S. Moseley & Co. and E. H. Rollins & Sons, Inc. Filed Oct. 18, 1944. Details in "Chronicle," Oct. 26, 1944.

Offered Nov. 6, 1944, the bonds at 103 and interest and the stock at $22.75 per share.

KIMBERLY-CLARK CORP. has filed a registration statement covering 102,424 shares of 4½% cumulative preferred stock, par $100. Holders of the 6% preferred stock were entitled to exchange their holdings on the basis of one old share for 1 and 3-107 shares of new preferred with adjustment for dividends. The exchange offer expired Oct. 30. Proceeds from sale of any unexchanged stock will be used for the redemption of all shares of 6% preferred stock not exchanged. Lehman Brothers, Wisconsin Co. and Hallgarten & Co. are underwriters. Filed Oct. 6, 1944. Details in "Chronicle," Oct. 12, 1944.

Unexchanged shares (4,820) offered Nov. 3 by above named underwriters at $107 per share.

KIMBERLY-CLARK CORP. has filed a registration statement for 99,960 shares of common stock (no par). The shares were offered for subscription at $32 per share to the holders of common stock of record Oct. 20 at rate of one share for each five shares of common held. Rights expired Nov. 1. Proceeds will be added to the general funds of the company. Lehman Brothers, the Wisconsin Co. and Hallgarten & Co. are underwriters. Filed Oct. 6, 1944. Details in "Chronicle," Oct. 12, 1944.

Unsubscribed portion (2,737 shares) offered Nov. 3 by above named underwriters at $35⅞ per share.

MOBILE GAS SERVICE CORP. has filed a registration statement for $1,400,000 first mortgage bonds, series due Oct. 1, 1964, 6,000 shares of cumulative preferred stock, par $100, and 100,000 shares of common stock, par $7.50. All three classes of securities are to be offered for sale at competitive bidding, with the successful bidder naming the interest rate on the bonds and the dividend rate on the preferred stock. The bonds and preferred stock are being offered for the account of the corporation, while the common stock is being offered by Consolidated Electric & Gas Co., parent, which owns all of the common shares of company, except directors' qualifying shares. Company will apply the proceeds from sale of bonds and preferred stock, estimated at not less than $2,000,000, together with general funds, to the redemption of $1,400,000 of first mortgage bonds, 3¾% series due 1961, at 104½ and to the redemption of 6,000 shares of 6% cumulative preferred stock at $110 per share. Filed Oct. 4, 1944. Details in "Chronicle," Oct. 12, 1944.

The bonds were awarded Nov. 1 to the Massachusetts Mutual Life Ins. Co. on a bid of 100.2598, carrying a 3% coupon.

The preferred stock was awarded to The First Boston Corp. on a bid of 100.516, carrying a dividend rate of 4.90%.

The preferred stock was offered Nov. 3 at $104 per share and dividend by The First Boston Corp. and associates.

THE MUTUAL TELEPHONE CO., HONOLULU, HAWAII, has filed a registration statement for 100,000 shares ($10 par) capital stock. Stock was offered to holders of outstanding 500,000 shares of capital stock of record Sept. 1, 1944 at par on basis of one share for each five held. Rights expired Nov. 1. Any stock not taken by stockholders will be sold at public auction. Proceeds for working capital. Filed Aug. 16, 1944. Details in "Chronicle," Aug. 24, 1944.

TRAILMOBILE CO. (formerly Trailer Co. of America) has filed a registration statement with the Securities and Exchange Commission, for 80,000 shares of common stock, par $5. Of the total 40,000 shares of common are being offered pro rata to preferred and common stockholders at $7 per share, with provision for all stockholders, except the Columbia Terminals Co., the largest individual stockholder, to subscribe for additional shares which may remain unsubscribed. Columbia Terminals will purchase the remainder of the 40,000 shares which are not subscribed for by other stockholders. The remaining 40,000 shares will be offered to the public at $7 per share. Proceeds will be used for additional working capital. Underwriters are Paul H. Davis & Co., and Bacon, Whipple & Co., both of Chicago, and W. E. Hutton & Co., Cincinnati. Filed Oct. 17, 1944. Details in "Chronicle," Oct. 26, 1944.

Offered Nov. 6, 1944 at $7 per share.

VAN RAALTE COMPANY, INC., has filed a registration statement for 129,281 shares of common stock (par $10). Holders of common stock of record Oct. 16, 1944 are given the right to subscribe to the 129,281 shares of common stock at $10 per share, in the ratio of one additional share for each share held. Subscription rights exercisable on and after Oct. 17, 1944, expire Nov. 14, 1944. If all of the common shares offered are subscribed for it is estimated company will receive a net amount of $1,262,810. The company will use $1,110,210 of such proceeds to redeem, on March 1, 1945, the 9,654 shares of its 7% cumulative first preferred stock at $115 per share, and the balance of the proceeds will be added to working capital. In the event that proceeds from sale of common stock offered to stockholders are insufficient to redeem the preferred stock, the company will use its own treasury cash to make up any deficiency. Not underwritten. Filed Sept. 27, 1944. Details in "Chronicle," Oct. 5, 1944.

WYANDOTTE WORSTED CO. has filed a registration statement for 120,000 shares of common stock (par $5). The shares are issued and outstanding and do not represent new financing. Shields & Co. heads the group of underwriters. Filed Oct. 11, 1944. Details in "Chronicle," Oct. 19, 1944.

Offered Nov. 2, 1944 at $11 per share by Shields & Co., Hemphill, Noyes & Co., Smith, Barney & Co., Kidder, Peabody & Co. and Lee Higginson Corp.

NEW FILINGS

List of issues whose registration statements were filed less than twenty days ago, grouped according to dates on which registration statements will in normal course become effective, unless accelerated at the discretion of the SEC.

THURSDAY, NOV. 9

AERONCA AIRCRAFT CORP. has filed a registration statement for 75,000 shares of 55-cent cumulative convertible preferred stock (par $1), and 33,600 shares of common (par $1). Of the common stock to be offered, 25,000 shares are for account of the company and 8,600 shares for the account of a stockholder. Proceeds will be used to increase company's working capital. The 8,600 shares being sold by a stockholder are owned by Carl I. Friedlander who will receive the proceeds. F. Eberstadt & Co., New York, is principal underwriter. Filed Oct. 21, 1944. Details in "Chronicle," Oct. 26, 1944.

FRANKLIN STORES CORP. has filed a registration statement for 200,000 shares of capital stock of which 114,000 are being sold by the company and 86,000 shares by Frank Rubenstein, President and director. Company will use proceeds for general corporate purposes. Van Alstyne, Noel & Co. heads the group of underwriters, with others to be named by amendment. Filed Oct. 21, 1944. Details in "Chronicle," Oct. 26, 1944.

SATURDAY, NOV. 11

KEYES FIBRE CO. has filed a registration statement for $1,800,000 first mortgage sinking fund 4% bonds, series A, due Oct. 1, 1959. Proceds will be used to provide funds for the redemption of $1,137,500 first mortgage sinking fund 4½% bonds and for additions to manufacturing facilities of the company. Coffin & Burr, Inc., is named principal underwriter. Filed Oct. 23, 1944. Details in "Chronicle," Oct. 26, 1944.

SUNDAY, NOV. 12

COLLINS RADIO CO. has filed a registration statement for 20,000 shares of $2.75 cumulative preferred stock, $47.50 par value, with warrants attached to purchase 20,000 shares of common stock, and 160,000 shares of common stock, par $5, of which 140,000 shares are to be publicly offered and 20,000 are to be reserved for issuance upon exercise of warrants. The warrants expire Dec. 1, 1949. Proceeds from the sale of the preferred and common stocks will be added to the general funds of the company and used to augment working capital and in connection with transition from wartime to peacetime operation and reestablishment and expansion of peacetime business. Lee Higginson Corp., Chicago, is named principal underwriter. Filed Oct. 24, 1944. Details in "Chronicle," Nov. 2, 1944.

JESSOP STEEL CO. has filed a registration statement for $1,000,000 first mortgage 5% sinking fund bonds due Nov. 1, 1954. Proceeds will be used for general corporate purposes. Paul H. Davis & Co., and Dempsey & Co., are named underwriters. Filed Oct. 24, 1944. Details in "Chronicle," Nov. 2, 1944.

UNIVERSAL CAMERA CORP. has filed a registration statement for 50,000 shares of 80-cent cumulative dividend preferred stock, par $5 per share. As to 25,000 shares being offered the public the offering price is $10 per share, and as to 25,000 shares being offered New York Merchandise Co., Inc., the price is $8.75 per share. In each case proceeds to company after underwriting discounts will be $8.50 per share before expenses. Proceeds will be used for general corporate purposes. Floyd D. Cerf Co., Chicago is named underwriter. Filed Oct. 24, 1944. Details in "Chronicle," Nov. 2, 1944.

WEDNESDAY, NOV. 15

CURLEE CLOTHING CO. has filed a registration statement for 52,290 shares of class A common and 22,410 shares of class B common. The shares are issued and outstanding and do not represent new financing by the company. Stifel, Nicolaus & Co., Inc., St. Louis, is named principal underwriter. Filed Oct. 27, 1944. Details in "Chronicle," Nov. 2, 1944.

SATURDAY, NOV. 18

ADMIRAL CORP. has filed a registration statement for 216,000 shares of capital stock, par $1. Of the total 150,000 shares are being sold by the company and 66,000 shares by certain stockholders. Proceeds to company will be used for additional working capital. Dempsey & Co., Chicago, is named principal underwriter. Filed Oct. 30, 1944. Details in "Chronicle," Nov. 2, 1944.

SUNDAY, NOV. 19

COMPOSITE BOND FUND, INC., has filed a registration statement for 40,000 shares of common capital stock.

Address—601 Riverside Avenue, Spokane, Wash.

Business—Investment company of the open-end type.

Underwriting — Murphey, Favre & Co., Spokane, is named underwriter.

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-5530. Form A-1. (10-31-44).

DATES OF OFFERING UNDETERMINED

We present below a list of issues whose registration statements were filed twenty days or more ago, but whose offering dates have not been determined or are unknown to us.

ALVA PUBLIC TERMINAL ELEVATOR CO. has filed a registration statement for $250,000 10-year 6% subordinated sinking fund notes, due 1954. Proceeds will be used for the purchase of the real estate and the construction of a one million bushel elevator, with a three million bushel head house. To be offered mainly to people in the Alva, Okla., community who are interested in construction of the grain elevator. Filed Aug. 8, 1944.

BASSETT FURNITURE INDUSTRIES, INC., has filed a registration statement for 12,000 shares of common stock (par $10). The shares are issued and outstanding and do not represent new financing. Price to the public is $26.50 per share. Scott, Horner & Mason, Inc., Lynchburg, Va., is principal underwriter. Filed Oct. 11, 1944. Details in "Chronicle," Oct. 19, 1944.

Registration statement withdrawn Oct. 30, 1944.

BRUNSWICK-BALKE-COLLENDER CO. has filed a registration statement for 30,000 shares of common stock (no par value). The shares are issued and outstanding and are being sold by two stockholders, R. F. Bensinger and B. E. Bensinger, 15,000 shares each. Underwriters are Lehman Brothers and Goldman, Sachs & Co., each underwriting 7,500 shares for each account. Filed Oct. 18, 1944. Details in "Chronicle," Oct. 26, 1944.

CENTRAL NEW YORK POWER CORP. has filed a registration statement for $48,000,000 general mortgage bonds, 3% series due 1974. The bonds will be offered for sale under the Commission's competitive bidding rule. Net proceeds with other funds of the company or other borrowings will be applied to the redemption of outstanding $45,000,000 general mortgage bonds, 3¾% series due 1962, at 104, and $5,000,000 general mortgage bonds, 3½% series due 1965, at 104½. Filed Sept. 29, 1944. Details in "Chronicle." Oct. 5. 1944.

Bids for purchase of bonds will be received by corporation at room 1822, 15 Broad St., New York 5, N. Y., up to 12 noon EWT on Nov. 14.

COASTAL TERMINALS, INC. has filed a registration statement for 25,000 shares of common stock (par $10). Proceeds will be used for the acquisition of land, equipment and for working capital. Price to public $10 per share. Not underwritten. Filed Sept. 20, 1944. Details in "Chronicle," Sept. 28, 1944.

EQUIPMENT FINANCE CORP. filed a registration statement for 14,000 shares 4% cumulative series 2 preferred, par $100. To be sold to officers and employees of company and Curtiss Candy Co. and its subsidiaries. Price $100 per share. Proceeds for acquisition of factory and warehouse buildings and additional trucks. Filed May 19, 1944. Details in "Chronicle," May 25.

THE EUGENE FREEMAN CO. has filed a registration statement for $300,000 trade acceptances. Proceeds will be applied to organization expenses, acquisition of motor trucks, real estate, buildings, machinery, etc. Filed Sept. 13, 1944. Details in "Chronicle," Sept. 21, 1944.

EXCESS INSURANCE CO. OF AMERICA has filed a registration statement for 48,981 shares of capital stock (par $5). Shares are to be offered for subscription to present stockholders of record May 31, 1944, on a pro rata basis at $8 per share. Net proceeds will be added to company's capital and surplus funds. Unsubscribed shares will be sold to Lumbermens Mutual Casualty Co. for investment. Filed May 29, 1944. Details in "Chronicle," June 8, 1944.

FEDERAL MACHINE & WELDER CO. has filed a registration statement for $2,000,000 15-year 5% sinking fund debentures due Sept. 1, 1959. Proceeds for working capital. Central Republic Co., Inc. and Peltason, Tenenbaum Co. are principal underwriters. Filed Oct. 9, 1944. Details in "Chronicle," Oct. 12, 1944.

FLORIDA POWER CORP. filed a registration statement for 40,000 shares cumulative preferred stock (par $100). The dividend rate will be supplied by amendment. Net proceds from the sale of the new preferred stock, together with additional funds from the treasury to the extent required, are to be applied as follows: Redemption of 28,762 shares 7% cumulative preferred at $110 per share $3,163,820; redemption of 5,940 shares of 7% cumulative preferred at $52.50 per share $311,850; donation to Georgia Power & Light Co. to be used for redemption of certain of its securities as provided in recap plan of that company $1,400,000; payment to General Gas & Electric Corp. for 4,200 shares of $6 preferred of Georgia Power & Light Co. $75,600, and expenses $80,000, total $5,031,270. Stock is to be offered for sale by the company pursuant to Commission's competitive bidding Rule U-50, and names of underwriters will be filed by post-effective amendment. The succesful bidder will name the dividend rate on the stock. Filed July 21, 1944. Details in "Chronicle," July 27, 1944.

GENERAL TIME INSTRUMENTS CORP. has filed a registration statement for 38,380 shares of 4¼% cumulative preferred stock (par $100). Corporation in offering to holders of outstanding 38,380 shares of 6% preferred stock the right to exchange such shares on basis of one share of 6% preferred for one share of new 4¼% preferred, plus $7, together with a cash dividend adjustment on the 6% preferred to date fixed for exchange. If all the 6% stock is not exchanged the corporation will retire as of Jan. 1, 1945, or as soon thereafter as possible between 4,000 and 5,000 shares of the unexchanged 6% preferred with funds it has available. Shares of new preferred not issued in exchange will be sold to underwriters and proceeds with other funds of the company used to retire balance of outstanding 6% preferred stock at the redemption price of $110 per share. Underwriters are Kidder, Peabody & Co., W. E. Hutton & Co., Lee Higginson Corp., Stone & Webster and Blodget, Inc., Glore, Forgan & Co., and Hornblower & Weeks. Filed Oct. 17, 1944. Details in "Chronicle," Oct. 24, 1944.

GERMANTOWN FIRE INSURANCE CO. has filed a registration statement for 50,000 shares of common stock, $20 par, and voting trust certificates for said stock. Policyholders of Mutual Fire Insurance of Germantown are to have pre-emptive rights to subscribe for the common stock at $20 per share in proportion to the respective premiums paid by them upon insurance policies issued by Mutual. Voting trust certificates representing shares not subscribed will be offered to the general public at the same price. All stockholders will be asked to deposit shares in the voting trust for a period of 10 years. Bioren & Co. are underwriters. Filed May 29, 1944. Details in "Chronicle," June 8, 1944.

GLEANER HARVESTER CORP. has filed a registration statement for 177,689 shares of common stock, $2.50 par. The stock is issued and outstanding and does not represent new financing. Of the 300,000 shares of common outstanding as of Sept. 11, 1944, Commercial Credit Corp. owned 177,689 or 59.22%, which shares are being sold by Commercial to underwriters. Filed Oct. 20, 1944. Details in "Chronicle," Oct. 26, 1944.

In an amendment filed the following investment dealers will be associated with F. Eberstadt & Co. in the public offering of the common stock, E. H. Rollins & Sons, Inc., Central Republic Co., Inc., Sutro & Co., Bankamerica Co., A. G. Edwards & Sons, Butcher & Sherrard, Otis & Co., the Ohio Co., Reynolds & Co., H. R. Baker & Co., Alfred L. Baker & Co., Cruttenden & Co., Farwell Chapman & Co., First Securities Co. of Chicago, Hirsch, Lilienthal & Co., Johnson, Lane, Space & Co., Inc., Straus Securities Corp., Auchincloss, Parker & Redpath, Bingham Walter & Hurry, Buckley Brothers, Coburn & Middlebrook, Courts & Co., Johnston, Lemon & Co., Metropolitan St. Louis Co., Pacific Co. of California, Shuman, Agnew & Co., Mason & Co., Bond & Goodwin, Inc., J. C. Bradford & Co., Francis I. DuPont & Co., Kay, Richards & Co., A. M. Kidder & Co., Clement A. Evans & Co., Inc., Ferris, Exnicios & Co., Inc., Mohawk Valley Investing Co., Inc., Murphey, Favre & Co., Nashville Securities Corp.

HANCHETT MANUFACTURING CO. has filed a registration statement for $450,000 first mortgage convertible 5½% bonds, series A, maturing serially from 1945 to 1964, and 45,000 shares of common stock ($1 par). The shares are reserved for issue upon conversion of $450,000 first mortgage convertible bonds. Underwriter is P. W. Brooks & Co., Inc., New York. Proceeds will be applied to the reduction of bank loans. Price range 101 for 1945 maturities to 99.5 for 1960-64 maturities. Filed July 20, 1944. Details in "Chronicle," July 27, 1944.

HARRIS MANUFACTURING CO. has filed a registration statement for 60,000 shares of 7% cumulative convertible class A stock (par $5) and 120,000 shares of class B (par $2) reserved for conversion. The 7% cumulative convertible class A stock will be offered at $5 per share. Proceeds will be used for working capital. Nelson Douglass & Co. heads the list of underwriters. Filed Oct. 9, 1944. Details in "Chronicle," Oct. 19, 1944.

HOUSTON LIGHTING & POWER CO. has filed a registration statement for $30,000,000 first mortgage bonds due 1974. Company will offer the bonds for sale under the Commission's competitive bidding rule with the successful bidder naming the interest rate. Offering price to the public will be filed by amendment. Net proceeds will be used to redeem at 105, together with accrued interest, the outstanding $27,500,000 first mortgage bonds 3½% series due 1966. Any balance of net proceeds will be added to working capital. Filed Oct. 18, 1944. Details in "Chronicle," Oct. 26, 1944.

Bids for the purchase of the issue will be received by the company up to 12 noon EWT on Nov. 13 at Guaranty Trust Co., New York, 35 Nassau St., New York, the successful bidder to specify the coupon rate.

LINCOLN PARK INDUSTRIES, INC., has filed a registration statement for $250,000 6% ten-year debentures maturing Nov. 1, 1954. Debentures to be offered directly by the company at par and interest. Not underwritten. Proceeds for additional working capital. Filed Sept. 27, 1944. Details in "Chronicle," Oct. 5. 1944.

MAJESTIC RADIO & TELEVISION CORP. has filed a registration statement for 297,500 shares of common stock (par one cent). Of the total 200,000 shares will be sold by the company, 95,000 shares will be issued to stockholders upon exercise of options and 2,500 shares will be sold by another stockholder. Proceeds from sale by Majestic will be used not in excess of $170,000 for the purpose of calling at $10 per share all of the outstanding 26,016 shares (no par) preferred stock. Holders of more than 9,000 shares of preferred, including British Type Investors, Inc., and Empire American Securities Corp. have stated that such stock will be converted into common stock and not presented for redemption, and company's statement said it is probable that other holders of preferred will take similar action. Balance will be used to record, manufacture and sell phonographic records and working capital. Proceeds to Majestic on sale of the 95,000 shares upon exercise of options amounting to $112,499 will be added to working capital. Kobbe, Gearhart & Co., Inc. is principal underwriter. Filed Oct. 12, 1944. Details in "Chronicle," Oct. 19, 1944.

THE OLD STAR DISTILLING CORP. has filed a registration statement for 5,000 shares of $100 preferred stock, non-cumulative and non-participating. Price to public will be $110 per share; proceeds to company $100. Proceds will be used for construction of distillery, $250,000; working capital, $250,000. No underwriter named. Filed Aug. 14, 1944. Details in "Chronicle," Aug. 24, 1944.

PITTSBURGH COKE & CHEMICAL CO. has filed a registration for $3,400,000 first mortgage bonds, 3½% series, due Nov. 1, 1964. Net proceeds together with such additional funds as may be necessary will be applied to the redemption of $3,455,000 first mortgage bonds, 4½% series A, due March 1, 1952, at 103 and accrued interest. Hemphill, Noyes & Co. head the group of underwriters, with names of others to be filed by amendment. Filed Oct. 20, 1944. Details in "Chronicle," Oct. 26, 1944.

S AND W FINE FOODS, INC. has filed a registration statement for 75,000 shares of common stock (par $10). Proceeds for working capital which may be used for plant improvements and office and warehouse expansion. Blyth & Co., Inc. are underwriters. Price to public $16 per share. Filed Sept. 28, 1944.

SHAMROCK OIL & GAS CORP. has filed a registration statement for 101,593 shares of common stock (par $1). The shares are issued and outstanding. Kidder, Peabody & Co. is named principal underwriter. Filed Oct. 20, 1944. Details in "Chronicle," Oct. 26, 1944.

TIDE WATER POWER CO. has filed a registration statement for $4,500,000 first mortgage bonds 3½% series due Nov. 1, 1974, and 10,000 shares of 5% preferred stock, par $100. Bonds and preferred stock are to be offered for sale at competitive bidding. Net proceeds estimated to be approximately $5,605,000, together with such cash from the company's general funds as may be required, will be used to redeem $6,065,500 first mortgage 5% series A bonds due Feb. 1, 1979. Filed Oct. 9, 1944. Details in "Chronicle," Oct. 12, 1944.

VERTIENTES-CAMAGUEY SUGAR CO. OF CUBA.—696,702 shares of common stock ($6.50 par), U. S. currency. Of shrs. registered, 443,850 are outstanding and owned by the National City Bank, N. Y. Several underwriters have agreed to purchase $1,663,500 of first mortgage (collateral) 5% convertible bonds of company, due Oct. 1, 1951, owned by National City Bank, N. Y. Underwriters propose to convert these bonds at or prior to closing and the 252,852 shares of common stock which are received by the underwriters on such conversion, together with the 443,850 shrs. previously mentioned, will make up the total stock to be offered. Harriman Ripley & Co., Inc., N. Y., principal underwriter. Filed Mar 29, 1944. Details in "Chronicle," April 6, 1944.

WESTERN UNION TELEGRAPH CO. has filed a registration statement for $24,603,000 convertible debentures and an indeterminate number of shares of class A stock to be available for conversion. Subscription warrants will be issued to present holders of company's class A and class B stock entitling them to purchase $100 principal amount of the new debentures for each 5 shares of class A stock or each 8⅓ shares of class B stock held on a record date to be supplied by amendment. Proceeds plus whatever general funds are necessary will be applied to the redemption on Dec. 1, 1944 of $25,000,000 25-year 5% bonds at 105% plus accrued interest. Names of underwriters and interest rate to be supplied by amendments. Filed Aug. 18, 1944. Details in "Chronicle," Aug. 24.

The directors Sept. 5 voted to direct the officers to formulate plans to invite competitive bids for the new bond issue.

Due to a decision of the N. Y. Public Service Commission that it has jurisdiction over the proposed issue, the company has decided to defer the issue temporarily.

"Our Reporter On Governments"

(Continued from page 2034)

(a) The British are determined that interest rates will be kept low, so that the debt burden will be bearable.
(b) The English appear to be certain that there will be no difficulty in refunding these bonds, at no increased cost, when they come due in 1950.
(c) The English intend to adhere to low interest rates, and will take the necessary measures to keep them low. . . .

It was indicated that the English as well as the rest of the world, with sharply increased debts and debt service, due to the war, are fully aware that the burden of meeting these charges must not be increased, and accordingly it is believed that when the opportunity presents itself they will make use of favorable money market conditions, to lighten the cost of carrying the greatly increased debt. . . . It was pointed out that what the English have done in lowering the cost of financing the war was to take advantage of a favorable money market to bring rates in line with existing conditions. . . .

The new British 1¾% bonds due Feb. 15, 1950, at the offering price of 100 give a return of 1.75%, where the U. S. Government 2% bonds due 3-15-50/52 at 101 16/32 give a return of 1.71%, or slightly under that obtainable in the English obligation. . . .

CURRENCY VOLUME MOUNTING

The Federal Reserve statement for the period ended Nov. 1 showed that currency in circulation went up by $193,000,000 to another all-time high of $24,409,000,000, and this figure is expected to increase from now until the early part of 1945, since we are coming into the holiday season, which always results in a sharp demand for currency. . . . Also for the period ended Nov. 1, holdings of gold certificates by the Federal Reserve Banks decreased by $10,000,000 while Federal Reserve notes outstanding increased by $188,680,000 with deposits up by $157,130,000, which caused the reserve ratio to decline to a new low of 51.2%. . . . It is evident that so long as the volume of currency in circulation continues to increase and gold holdings decreases, the ratio will continue to decline, and this trend has raised the question as of what were the conditions in May, 1920, when the reserve ratio reached 42% and the Federal authorities adopted restrictive measures, accompanied by a sharp increase in the discount rate which was followed by a material decline in prices of Government bonds. . . .

It was pointed out by one of the studies on this situation that the conditions which prompted the action of the Reserve authorities in 1920 were materially different from those that prevail at present and will continue to the end of the war. . . .

In 1920 speculation in the United States was rampant and prices of commodities rose sharply. . . . The Bureau of Labor Statistics index of wholesale prices rose from 201 in March, 1919, to 272 in May, 1920. . . . The volume of bills discounted by member banks with the Reserve Banks was very high and amounted to $2,551,290,000 on May 14, 1920. . . . Hence it was obvious at that time that a tightening of bank credit and a material increase in interest rates could be effective in breaking the speculative and inflationary forces. . . . The reason for the measures taken by the Reserve authorities, therefore, was primarily to curb the excessive use of bank credit for speculative purposes which contributed to the sharp increase in prices of commodities. . . . The measures instituted by the Reserve authorities in the early part of 1920 were on the whole successful. . . . The speculative boom as well as the sharp increase in commodity prices came to a sudden end. . . .

1920 AND NOW

Money market conditions today are entirely different from those which prevailed in 1920. . . . The decline in the reserve ratio at present is due primarily to the increase in the volume of currency in circulation and to a moderate reduction in the monetary gold stock. . . .

Credit restrictive measures such as those taken by the Federal Reserve authorities in 1920 could have no effect on the demand for currency at home or the conversion of dollar balances into gold by foreign central banks or governments. . . .

Furthermore, the volume of borrowings of the member banks with the Reserve Banks is exceedingly small, while the amount of deposits at the disposal of industry and trade is greater than needed for business purposes. . . . Under these circumstances, therefore, to adopt the same measures as were taken in 1920, when the ratio reached 42%, would not improve the ratio or have any effect on the volume of currency in circulation, on gold, or on demand for credit on the part of industry or trade. . . . It would merely cause an increase in interest rates and thus raise the cost of borrowing by the Government. . . .

It is therefore quite evident that since the measures adopted in 1920 could not rectify the present causes for the decline in the ratio, it would be useless to adopt them under present conditions. . . .

In conclusion, it was pointed out that to consider the decline in the reserve ratio as a serious development in a country which still holds almost $21 billions of gold, an amount far greater than that owned by the rest of the world, is to overlook the realities completely. . . . It is therefore not likely that the decline in the reserve ratio will in no way interfere with the credit policies of the Reserve authorities. . . . (The various measures at the disposal of the monetary authorities to cope with the declining reserve ratio were discussed in this column on Oct. 19, 1944.)

Not All Fear Regarding Uptrend In Farm Values Justified: Bailey

Some "view with alarm" this creeping upward tendency of farm land values; and there is merit in some of their concern, but not all of that fear is justified. There have been a lot of good reasons for an increase in farm land values, and this movement has not been at all on a par with those inflationary events which had their culmination in the economic tragedy of the thirties. Now, many purchasers of farms are paying cash; some of them as a hedge against future economic trends. Farmers are buying additional lands, for cash, as they have not forgotten the foreclosures of 10 and 15 years ago; they are not buying on credit and pledging the farm which is already paid for. There is some credit buying taking place, some of it by former tenants who are purchasing insurance company farms, and these insurance companies are reporting a most satisfactory prepayment on these purchases. In the final analysis the value of farm land is determined by its revenue producing capacity. If the income goes down, the price will go down.

C. W. Bailey

The task of the country banker is to be watchful of purchases made on credit at high figures. That trend must not get out of control. There is every reason why many individuals, not heretofore owners or operators of farm lands, shall want to own a farm unit for which they can and will pay cash. Experience has demonstrated that the person who owns a productive farm, free of debt, with habitable housing and useful improvements, with equipment to operate and ability to manage, who can earn enough thereon to pay taxes and insurance, maintain repairs, and buy sugar and salt and coffee, can face the possibility of economic storms with full assurance of security. Many people are thinking about that.—C. W. Bailey, President of the First National Bank, Clarksville, Tenn., before the New England Council of the Bank Management Conference, Boston, Mass., on Oct. 11.

Results of Treasury Bill Offering

The Secretary of the Treasury announced on Nov. 7 that the tenders of $1,300,000,000, or thereabouts, of 91-day Treasury bills to be dated Nov. 9 and to mature Feb. 8, 1945, which were offered on Nov. 3, were opened at the Federal Reserve Banks on Nov. 6.

The details of this issue are as follows:

Total applied for, $2,264,423,000.
Total accepted, $1,314,251,000 (includes $52,576,000 entered on a fixed price basis at 99.905 and accepted in full).

Average price 99.905, equivalent rate of discount approximately 0.375% per annum.

Range of accepted competitive bids:

High, 99.913, equivalent rate of discount approximately 0.344% per annum.

Low, 99.905, equivalent rate of discount approximately 0.376% per annum.

(52% of the amount bid for at the low price was accepted.)

There was a maturity of a similar issue of bills on Nov. 9 in the amount of $1,210,910,000.

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Final Edition ESTABLISHED OVER 100 YEARS In 2 Sections—Section 2

The Commercial and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 160 Number 4332 New York, N. Y., Thursday, November 9, 1944 Price 60 Cents a Copy

The Financial Situation

Now that the election campaign is over and out of the way, it may be possible for the rank and file of the people to do some fruitful thinking about a number of vital questions, the truth about which has been beclouded by rather more than the usual ordinary political buncombe.

They might well begin in the field of international relations. One of the myths which has been greatly overworked for years past has recently come encouragingly close to exposure—the situation in China and the status of the Chinese nation. The truth of this matter is that there is no Chinese nation, and there has been none for a long while past—that is, in the ordinary sense. The Chinese are disunited, lacking in patriotism as we in the western world understand patriotism, without very much ambition to "modernize" their country, and in their public relations often corrupt.

China and the Chinese

They have had a hard row to hoe for many, many decades, and, measured by any "enlightened" standards, there is little or no excuse for what either Japan in more recent years or the western powers in earlier times have done to China. Yet, in perfect candor, it must be said that in substantial measure the trouble with China is and always has been the Chinese. It is folly to pretend that China is, or is on the way to becoming, a "great power." Nor is China, whatever her moral or abstract rights, and whatever the outcome of the present war, likely to become and remain for any great length of time free of exploitation from without unless the Chinese people themselves do something more than they have as yet done to assure themselves of such freedom.

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Post-War Taxes

By EMIL SCHRAM*

President, New York Stock Exchange

Head of New York Stock Exchange Expresses Belief that Congress in Considering Post-War Taxes Will Keep in Mind (1) the Preservation of the System of Private Capital, (2) Danger of Subsidies Leading to Federal Control and the Extension of Bureacracy, and (3) Balancing of the Federal Budget as Essential to Ready Availability of Credit and An Abundance of Venture Capital. Points Out as Objects of Tax Reform, the Preservation of the National Credit, the Stimulation of Taxable Income and the Encouragement of Risk Capital.

Taxation, particularly post-war taxation, is an absorbing subject with me. I have spent a great deal of time in Washington in the last two or three years discussing various aspects of the tax question with members of Congress and others. I think I have a fairly good idea as to the present-day thinking in Washington. I might add that I am very much encouraged. I believe Congress is going to produce, before very long, a sound tax program.

Emil Schram

It is gratifying, indeed, to see people everywhere interesting themselves, intelligently and earnestly, in our tax problems. I do not believe that ever before in the history of this country so much attention has been focused upon tax matters. There is an obvious reason for this, of course, and this is that the tax burden, the heaviest we have ever known, is borne by a greater number of people than ever before. This is a most desirable development. I am talking, of course, about the distribution of the burden when I say desirable.

We have had the benefit of a number of excellent tax programs, worked out painstakingly and skillfully, by various organizations. All of this planning, not to mention tax paying, has had the effect of stimulating an intelligent tax consciousness among our people. Moreover, we are fortunate in that we have today a Congress that not only is alert to the necessity of tax readjustment to meet post-war conditions, but is also very well informed indeed as to how it should go about finding a solution to this highly compli-

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*An address made by Mr. Schram before the New York Institute of Finance, Oct. 2, 1944.

Problem of Gold Redistribution

By A. M. SAKOLSKI

City College, New York

Financial Writer Maintains That Because The Bretton Woods Agreements Have Set A Groundwork for the Link of National Currencies to Gold, the Success of the Plans Requires a Redistribution of the World's Gold Reserves—Sees Necessity of Distributing Part of United States Supply to other Nations, and After Analyzing the Various Proposals for Accomplishing This, He Concludes That the Easiest and Most Effective Method Is Through American Private Equity Investments Abroad.

I

Now, that the Bretton Woods agreements, (if ratified), have set the groundwork for a universal link of national currencies to the gold standard (as indicated in my article in the "Chronicle" of Aug. 17, page 684), the question arises as to the means by which many countries will be enabled to obtain their needed supplies of the metal. As the situation now stands, there is a distinct lack of equilibrium in the distribution of the world's monetary gold reserve. Some of the signatory nations to the Bretton Woods agreements are not likely to have sufficient gold or its exchange equivalent to fulfill their required quotas to the International Fund and to the Bank.

A. M. Sakolski

The United States, which under normal conditions should hold about a quarter of the total gold supply, now possesses more than 60%. Russia is also reported to be in a position of having an ample hoard, though, in view of this country's heavy import requirements after the war, the situation may be only temporary. Both Great Britain and France will undoubtedly have insufficient amounts when peace returns, and this is likely to be the condition, to even a greater degree, in most of the smaller nations that have been overrun by the Nazi hordes. Moreover, Germany and Italy, together with their satellites, will be almost devoid of gold for a currency backing, while China and India, if they play their assigned roles in future world trade and economic development, will also require additional supplies of monetary gold. The Latin-American countries, particularly Mexico and Brazil, will find it necessary to build up larger reserves, if their currencies are to be kept stabilized following the war.

This situation was one of the unsolved difficulties, which was deliberately ignored and conveniently passed over at the Bretton Woods Conference. Like many other unpleasant contingencies which should have been provided for, no positive measures were taken to remedy it. The conference agreements have been rightly criticized as proposing merely measures of relief, without seeking to establish permanent remedies for the evils they seek to eliminate. It ostensibly provides a machinery for exchange stabilization without pulling up the roots of the causes of the lack of exchange stabilization. It aims to fix a unit of international exchange value, to which the currencies of all participating nations must have a fixed ratio of relationship, without applying adequate measures or means for linking internal money values to the international unit.

All this is clearly stated in the August 29th issue of "The Guaranty Survey," published by the Guaranty Trust Company of New York. "Most of the criticism that has been brought against the agreement," comments the Survey, "is based on the view that it represents an attempt to enforce exchange stability without striking at the causes of instability. More specifically, the management of the Fund would be expected to hold the exchange values of members' currencies at or close to parity but would have no control over the internal policies affecting the true values of those currencies. Only when nations balance their budgets, hold their tariffs at moderate levels, follow

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GENERAL CONTENTS

Editorial

*These items appeared in our issue of Nov. 6, on pages indicated.

†Not available this week.

What Is Inflation?

Roger W. Babson Talks to Our Municipal Officials

BABSON, PARK, MASS.—Inflation is the result of increasing the currency or the debt of the country more rapidly than the assets of the country. Inflation is a form of disease which has started from many different sources. Note these five:

(1) The crudest form of inflation came from "clipping coins." This means making them smaller or thinner. It is the form that is still used in certain countries.

Roger W. Babson

(2) In the case of paper money, the same result is obtained by printing additional paper money without increasing the gold reserve. This is the method which is now being used in the United States.

(3) A similar result can be obtained by issuing an excess of Government bonds, which are really a form of currency and which tend to debase the currency already issued.

(4) Inflation comes through the increased use of checks, notes and other forms of municipal, corporation and personal indebtedness. When another man accepts your handwritten check for $10, this brings on inflation the same as printing more $10 bills.

(5) Finally, a great increase in the circulation of money brings about inflation. When money changes hands three times as fast every week, it has the same effect as increasing the amount of currency outstanding by threefold.

Let me refer again to my definition. So long as there is an increase in the country's food, clothing and shelter equal to the increase in the circulating money, there is nothing to fear; but otherwise beware. Today our outstanding currency is increasing more rapidly than is our supply of food, clothing and shelter.

Now Is the Time to Buy

Inflation has the same effect on living costs as changing the size of a bushel, or changing the length of a yardstick, or changing a gallon measure would have if the price per bushel, per yard or per gallon remains constant. This is a very important factor for all municipal officials—especially Fire Chiefs—to keep in mind

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An American Speaks

"The inspiration to work hard, to compete strongly with the other fellow in the same business, has almost been destroyed. Wartime controls that tie up raw materials, restrict production and limit the distribution of goods have got to be discontinued as rapidly as possible after the war if our American system of living and doing business is to be resumed.

Henry Ford

"Today we find some disciples of Government preaching a doctrine of continued control over private enterprise, and that means control over individual initiative. We had more than 150 years of the American way of life before we began to hear this kind of talk. It must be stopped now. . . .

"Idlesness is the reason for many of our troubles. My thoughts today are with the young men who are coming home from war with a blank wall of inopportunity facing them. We owe these men, the ones who have been sent abroad, everything we can think of in the way of help and encouragement. They will want this help in the form of a chance to show what they can do—not in the form of a patronizing gift obtained by heavy taxes on their own families.

"What chance, under our present system, have these young men, should they want to express their individual ambition and spirit of invention, or their mere willingness to work hard at a good job? They must, according to the current rules, get in line and wait their turn.

"In a land which is distinguished for freedom of speech, freedom of religion, freedom from want and freedom from fear, any lack of a freedom of job opportunity isn't going to set well with the men who have fought to save us on the battlefields of the world.

"I hope, and I'm sure, that these men and their brothers and sisters at home are going to ask a lot of questions. They are going to want to know the why of everything that has been going on here. And they will get the answers, too. No one else can do it. They alone can put an end to top-heavy governing systems, to restrictive laws which serve no purpose in a nation built upon freedom."—Henry Ford.

We can add nothing and we would subtract nothing from this timely warning.

Brooklyn Catholic Weekly Scores Dumbarton Oaks Peace Proposals

Editorial in "The Tablet" Warns Against Belief that It Will End All Wars and Asserts That Even as "Machinery" Its Entire Program Is Useless, Particularly as It Does not Guarantee the Right of All Nations To Life and Independence.

Under the caption "Unseen Plans," an editorial article in the Catholic weekly publication, "The Tablet," published in Brooklyn, N. Y., Oct. 28, takes to task the statement of President Roosevelt that the Dumbarton Oaks Plan will be "the keystone of the arch" of security and peace. The editorial follows in full:

Unseen Plans

President Roosevelt's rosy picture of peace and harmony in the post-war world, as described in his nationwide broadcast last Saturday night, may have caused some Americans to be deluded and to conclude that their Government had found a way to end all wars. The President spoke of the "security plan" which was announced after the Dumbarton Oaks Conferences as the "very practical expression of a common purpose on the part of four great nations." In a statement 12 days before he had called it "the keystone of the arch" of security and peace. A study of the Dumbarton Oaks plan reveals no basis for such praise. On the contrary, such a study will more likely lead to the discouragement of hopes for peace in the future.

The widely heralded proposals for an international peace which the American people were so strongly urged to accept by President Roosevelt in his address before the Foreign Policy Association were by no means discovered at the Dumbarton Oaks Conferences of the "Big Four." They are only a modified version of a scheme prepared months ago by a highly subsidized organization of internationalists. The conferees at Washington did not even take the trouble to change the titles.

The President's concern about the interest of the American people in the planning of the post-war organization, however, was new. Hitherto the citizens of the United States were understood to have only the privilege of consenting to what the Government told them had been decided upon at conferences held in the deepest secrecy. The so-called representatives of the United States at these conferences were chosen neither by the people or by the Congress; they were selected by the Administration and their ability to deal with the delegates of foreign powers in the name of the American people was judged solely by the Administration. The optimism of President Roosevelt over the program, devised by a small group of internationalists and accepted at a secret convention from which the people were strictly excluded, is hard to understend in the light of his statement on Saturday night that "No President of the United States can make the American contribution to preserve the peace without the constant, alert and conscious collaboration of the American people."

Granting whatever good points the Dumbarton Oaks proposals may be credited with, it must be conceded that even as "machinery" the entire program, as it stands here and now, is useless. Certain elements must be present to assure even the possibility of peace. These elements are not in the plan which the President calls upon us to approve. The American people are not accustomed to pay the full price of a car for a steering wheel and a set of hub caps on the promise that the wheels, chassis and motor will be delivered later as advertised.

Pope Pius XII has laid down several essentials to any peace worthy of the name and they have been universally accepted by Catholics and non-Catholics alike. President Roosevelt even hinted at a knowledge of some of them in his recent address. But they have been conspicuously absent in the recent conferences in which the President's delegates presumably had an influential voice. One of these essentials is the right of ALL nations to life and independence; another is the adoption of a body of international law applicable to and recognized by all nations; a third is the recognition of the dignity of the individual and of his rights, including his right to live in conformity with God's law; finally, and most essential of all, is the acceptance by all nations and all peoples of God's law and God's authority. These, it must be emphasized, are essential, and not merely ornaments, for the maintenance of peace. Yet they were ignored by the Dumbarton Oaks conferees just as they were minimized by the internationalists who drew up the program in the first place.

The principles laid down by the Holy Father are not, in spite of their importance, widely known among millions of voters in the United States who know only what they see in the secular press or hear on the radio. The two latter sources of public information can completely disregard anything from the Vatican as "religious" and therefore unconnected with problems of national and international interest. Such a disregard has left a large body of the American people unable to judge the proposed peace organization intelligently and consequently susceptible to biased and misleading propaganda.

Two other aspects (and these are not "religious") of the proposals and conferences for post-war security must also be recognized by the citizens of the United States before making any commitments with foreign powers. These are, first, the fact that the element of mutual trust at any conference of delegates of the "Big Four" will be difficult to obtain; secondly, agreement on fundamentals does not at present exist among the nations which are dominant in the world.

In the third report of the Commission to Study the Organization of Peace, published in April, 1943, the following invaluable warning is found in a passage discussing Russia as a charter member of the world peace organization: "The test to be applied is not whether we like or dislike the internal system of any State, but rather whether a State can be trusted as a member of the community of nations." This nation has the obligation of determining whether Russia, which seems on the way, with our help and the help of international Communism, to becoming the most powerful influence in the post-war world, can be trusted to carry out her promises.

The disagreement on fundamentals between the United States, Britain and Russia—China's policy can be disregarded—is too evident to require discussion. Americans need only ask themselves if Britain will yield on the issue of her colonial possessions and if Russia will adopt the Four Freedoms for her own subjects. These cannot be dismissed with the admonition that the people of the United States put their trust blindly in the hands of the Administration. It is the duty of the Administration, as the servant of the people, to preserve the nation from a false peace which bears promise of nothing but more and worse wars.

The State Of Trade

The general outlook for post-war trade between Latin America and the United States is "decidedly favorable," the Guaranty Trust Co. of New York revealed in a recent survey made by the company, which covered a number of specific points, among them branches of production and types of products likely to contribute most to the development of trade between these two countries after the war. The survey, however, disclosed that representative Latin American bankers and business men recognized the "extreme uncertainties" with respect to international relations, trade barriers, free enterprise, currency stabilization and the prospect of lasting peace.

In establishing a basis for its conclusions, the survey states: "The countries of Latin America have supplied large quantities of their products to the United States and other nations allied against the Axis, while their opportunities for purchasing foreign goods have been limited by necessary wartime trade restrictions and transportation difficulties. As a result, they have built up very substantial holdings of gold and foreign exchange, and at the same time have presumably accumulated a large volume of deferred demand for goods from other countries, including the United States. Official estimates indicate that Latin American holdings of gold and exchange here and abroad have reached the equivalent of more than $3,000,000,000, of which about two-thirds consists of gold (mostly in the United States) and $500,000,000 is in the form of United States dollars."

New industrial development in Latin America stimulated by war conditions may affect future trade relations for a whole, the survey indicated, but it expressed considerable doubt that these countries to the South of us can survive in world competition at levels sufficiently high to make them a factor to be reckoned with in the trade situation. The general opinion of the bank's South American correspondents was that the "greatest opportunities for expansion of their export trade lie in those products, mainly agricultural commodities, that have formed the mainstay of such trade in the past.

"Among desirable plans and preparations for expanding trade and promoting economic cooperation, by far the greatest emphasis is placed on two requirements: better transportation facilities and sounder commercial methods. The need for improved transportation is felt chiefly in ocean shipping, although in some cases the primary stress is on internal transport as a prerequisite to the general economic development of the country. The possible helpful effects of lower freight and tariff rates and more liberal trade regulations receive frequent mention. Almost as important, in the Latin American view, is the requirement that traders in the United States give more attention to the adaptation of their products and their trading practices, including terms of credit, to the needs and customs of their Latin American markets and sources of supply.

"Views concerning the need or opportunity for capital investment by the United States in Latin America vary considerably, but the general opinion seems to be that large opportunities exist for such investment under the right conditions. Particular stress is laid on the desirability of local participation to the greatest possible extent." With respect to local participation, the survey pointed out that an evident preference exists for the "partnership" method whereby ownership and management are more readily shared with local interests.

It was one correspondent's belief that "the first condition to any real increase in economic activity is evidently that peace be assured for a long period of time." Shying away from purely political issues, he expressed the hope that the difficulties that have arisen in the relations between the United States and the Argentine will be settled in a spirit of mutual understanding and that the statesmen of this continent will succeed in sparing us national antagonisms such as have been a plague to Europe and to the world for centuries."

In making a second point on the restoration of free enterprise, he recognized the evil of governmental interference, unavoidable as it may be under present conditions, observing that it was still an evil and that "he hoped that all countries will realize the need for a gradual return to other forms of organization, where more liberty will be given to the individual and less power to the state, which is the essence of democracy."

Steel Industry—The steel market in the past few weeks has regained some of its wartime tempo reminiscent of a few months ago before cancellations increased in number. This change, which reflects the ease with which steel companies were able to plug up holes with additional business subsequent to cancellations, is just another signpost exhibiting the mixed trends which have been existent in the past month," states "The Iron Age" in its summary of the steel market the past week.

Steel ordering, although heavy, represented a slightly lower level than was the case in August and September. The steel ingot rate also dipped the past week, the orderly decline probably representing the attuning of current order volume and backlog to actual production schedules. Evidence, however, indicated that part of the decline in ingot rate was due to the unusual time necessary to make repairs and to the accumulative effects of outlaw strikes, which in the past week were cutting into steel output at Birmingham and Buffalo.

Extra stimulus is expected to be given the steel shell program in December and in the first quarter of 1945. October shell requirements were about 213,000 net tons with November and December needs at present about 302,000 net tons. By December shell steel needs might expand to as much as 325,000 tons or possibly 350,000 tons, the magazine states. Original estimates on requirements made some time ago had set a figure of about 450,000 tons a month by January, 1945.

A labor shortage continued to place Chicago district mills at an acute disadvantage in producing the more highly finished steel products. Contributing to this situation was the smoke of labor unrest which threatened to spring

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Sec Issues Results Of Study On Costs Of Capital Flotations By Small Concerns

Compensation To Investment Bankers Averages From 14% to 19.7% Of Proceeds. Issues Under $1,000,000 Bear Highest Ratio Of Costs.

The Securities and Exchange Commission on October 22 released the results of its study of the cost of flotation of equity securities (preferred and common stock) based upon data taken from statements filed with the Commission during the period from January 1, 1938, to June 30, 1944, by companies reporting less than five million dollars of assets, exclusive of investment companies and companies engaged in the extractive industries.

The results of the study would indicate the smaller the size of the company, the larger amount of the proceeds of an issue is required to cover the costs of flotation. This is borne out in the following statement issued by Commission:

Small companies attempting to raise capital through the sale of equity securities have been faced with paying out a substantial proportion of the proceeds in cost of flotation, consisting principally of compensation for the services of investment bankers, according to a study by the Securities and Exchange Commission. The study, which was released as the result of the receipt of a number of inquiries, was limited to issues of preferred and common stock, bonds having been only infrequently issued by small companies.

The study was based upon data taken from statements filed with the Commissioner under the Securities Act from Jan. 1, 1938 to June 30, 1944, by companies reporting less than five million dollars of assets, exclusive of investment companies and companies engaged in the extractive industries. Omitted from the study were statements involving two or more types of security, because of the unavailability in such cases of completely separate cost data for each type. Statistics were given separately for both types of equity securities, common stock and preferred stock; and for two sizes of company (not sizes of issue), those reporting assets of less than one million dollars and those reporting total assets between one and five million dollars.

The basic data represent estimates by the issuers at the time the registrations became effective of the costs involved in completely selling the securities and are summarized in the form of average ratios of the costs to expected gross proceeds. The statistics presented in the study therefore reflect the cost rates anticipated, rather than experienced, by the issuers; for other studies by the Commission have shown that actual sales, and therefore the realized proceeds and presumably the actual cost rates, of many small registered issues depart substantially from those anticipated at the time of effective registration.

Principal Components of Cost

Cost of flotation averaged 21.6% of expected gross proceeds for the equity issues in the study which were registered for sale through investment bankers to the general public by companies with less than one million dollars of assets. Commissions to the bankers amounted to 19.7% of the expected gross proceeds, the remaining part of the cost of flotation referred to throughout the study as "expenses" or the "expense component," amounted to only 1.9% of expected gross proceeds.

The cost of flotation was somewhat lower on the average for similarly marketed issues of companies reporting total assets between one million and five million dollars. For these, the total cost amounted to 15.8%, breaking down into bankers' compensation of 14.0% and expenses of 1.7% of expected gross proceeds. Changes in the rate of bankers' compensation accounted almost entirely for the differences in cost of flotation of issues in the two size groups mentioned above, and also of issues of preferred and common stocks and of issues handled by investment bankers with and without commitments to purchase.

The aggregate cost of flotation of the issues of preferred stock intended for sale to the general public through investment bankers by all registrants with less than five million dollars of assets amounted to 14.2% of gross proceeds, compared with 19.4% for issues of common stock in the same category. Again, most of the change in the total cost was accounted for by the difference in the rate of bankers' compensation, which amounted to 12.7% of gross proceeds on the issues of preferred stock compared with 17.5% on the common stock. Expenses changed only from 1.6% on the preferred to 1.9% on the common.

Half of the issues to be sold to the public through investment bankers involved a commitment by the bankers to purchase the securities from the issuers, and the other half involved no commitment by the bankers to purchase, merely, that they would use their best efforts to effect distribution.* Bankers received a higher rate of compensation on the average for the issues sold under the latter type of contract despite the lack of inventory risk. This may be explainable by a tendency of the bankers to confine their purchase commitments to the issues which appeared more certain to sell.

The total cost of the issues involving bankers' commitment to purchase amounted to 15.9% of the expected gross proceeds compared with 19.9% for those on which the arrangement was for the bankers to use their best efforts. The increase in the total cost was completely accounted for by higher compensation: for bankers' compensation increased from 13.9% of gross proceeds on the purchase commitment issues to 18.4% for the best efforts issues; whereas the other component, expenses, actually decreased from 2.1% for the former category to 1.5% for the latter. This tendency for compensation to be higher on the issues not involving a purchase commitment than on those involving such a commitment sufficiently to offset a drop in the other costs existed for common as well as preferred stocks and for issues of companies under as well as over one million dollars in asset size.

The table, attached, summarizes the statistics on the comparison of the two components of cost of flotation, bankers' compensation and expenses, for those issues in the study which were intended for sale to the general public through investment bankers. The table provides statistics separately for common and preferred stocks, for issues of companies above and below one million dollars of reported assets, and for issues with and without commitments by the bankers to purchase.

*The two types of contractual arrangement represent essentially differences in degree, rather than kind, of commitment; for the contracts to purchase generally contain "out" clauses which substantially limit the "firmness" of the commitments.

Breakdown of Compensation

Many of the statements for the above-mentioned issues which involved bankers' commitments to purchase before resale also gave information on the division of bankers' compensation between the purchase and selling groups. Such compensation on the average was found to be divided almost equally between the two groups and this pattern held in spite of differences in the level of bankers' compensation for preferred and common stocks, and for issues of companies over and under one million dollars in amount of reported assets.

Breakdown of Expenses

The expense component was only a small fraction of the total cost of flotation. However, an analysis has been made of the amount paid for each of the typical items of expense connected with the issuance of equity securities by companies reporting less than five million dollars of assets. In addition to the issues sold to the general public through investment bankers, used in the preceding analysis of compensation, there were admitted to the analysis of the expense component the equity securities registered for sale directly to investors by the issuing companies and those planned for sale through investment bankers to restricted groups such as stockholders.

Some of the types of expenses frequently reported in registration statements are not at all affected by the registration requirements of the Securities Act, namely, payments for listing on a securities exchange, for Federal revenue tax stamps, for State qualification, and for the services of transfer agents. There are some other types of expenses which also existed before, as well as after, passage of the Securities Act, but which may be larger than otherwise by reason of the requirements of the Act; namely, cost of printing and engraving, and fees for legal, accounting and engineering services. There is only one type of expense for which the entire amount paid is entirely attributable to the Act, the fee for registration with the Securities and Exchange Commission.

To obtain a picture of the distribution over these items of the aggregate amount paid for expenses, it was necessary to use those statements which furnished adequate details. A statement was considered adequate for this purpose if at least three-fourths of the expense total could be allocated separately to any, but not necessarily to all, of the above items. In other words, statements were excluded for which more than one-fourth of the total expense was characterized as "miscellaneous" and/or reported only for combinations of the other items.

Out of 250 equity issues registered separately by companies with less than five million dollars of assets, there were found to be 201 for which their registration statements gave sufficient detail of expenses for the purpose of showing distribution by items. The aggregate expenses of these 201 issues amounted to about 1¾% of the expected gross proceeds. The types of expense not at all affected by registration accounted for about ⅕% of gross proceeds and for these there was practically no variation between issues of companies having more and those having less than one million dollars of assets.

The aggregate amount paid for the types of expenses (including "miscellaneous") partly affected by the requirements of the Securities Act amount to about 1½% of the gross proceeds. About one-half of the amount disbursed for these types of expenses was concentrated in the single item of legal fees. Accountants' fees and cost of printing and engraving were next in aggregate importance, each amounting to a little less than ⅓ of 1% of the gross proceeds. Engineering fees in the aggregate amounted to only a few hundredths of 1% of gross proceeds. The only type of expenditure for which the amount paid could be regarded as entirely attributable to the Securities Act, the fee for registration with the Commission, amounted to one one-hundredth of 1% of the expected gross proceeds.

The proportion of gross proceeds paid in the aggregate for each type of expense was found to change only slightly with change in either the type of security or in the size of company within the population studied. The greatest variation appears to have been in the item of legal fees.

Size of Each Type of Expense

While the above analysis is accurate for showing the distribution of the aggregate amount paid for expense over the different types of expense, it is not adequate for picturing the typical size of each type of expense. For the latter purpose it is necessary to use average rates for each type that are computed not on the basis of all of the statements but on the basis of the restricted number of statements in which each type occurred.

Such a supplementary analysis was made and brings out some interesting contrasts with the preceding one. For example, the former analysis showed that engineering fees had amounted in the aggregate to only about one-tenth of the accounting fees. But the latter analysis demonstrates that the lower average for the engineering fees was due to the fact that they occurred in only about one-tenth as many cases; and that for the statements in which each type occurred, the engineering fees actually averaged slightly higher than the accounting fees.

Other types of expense which occurred relatively infrequently and which therefore were typically substantially larger than indicated by the distribution of the aggregate amount paid for expenses were: Exchange listing fees, transfer agents' fees, and fees for state qualification, which were reported respectively for about one-tenth, one-third, and two-fifths, of the number of issues. Types of expense most frequently reported and which therefore give more nearly the same statistics under either type of analysis were: SEC fees, Federal revenue stamp tax, accounting and legal fees, and cost of printing and engraving.

COST OF FLOTATION OF EQUITY ISSUES BY SMALL COMPANIES
Registered Under the Securities Act from Jan. 1, 1938 to June 30, 1944
All Equity Securities

	Asset Size of Company		
Issues Offered Through Investment Bankers	Under $5,000,000	$1,000,000 to $5,000,000	Under $1,000,000
With and Without Purchase Commitment:			
Number of issues	184	81	103
Gross proceeds ($000)	101,568	64,420	37,147
Cost of flotation (% of gross proceeds)	17.9	15.8	21.6
Investment Bankers' compensation	16.1	14.0	19.7
Expenses	1.8	1.7	1.9
With Purchase Commitment:			
Number of issues	92	57	35
Gross proceeds ($000)	52,044	44,764	7,280
Cost of flotation (% of gross proceeds)	15.9	15.3	20.0
Investment Bankers' compensation	13.9	13.4	17.0
Expenses	2.1	1.9	3.1
Without Purchase Commitment:			
Number of issues	92	24	68
Gross proceeds ($000)	49,523	19,656	29,867
Cost of flotation (% of gross proceeds)	19.9	16.8	21.9
Investment Bankers' compensation	18.4	15.6	20.3
Expenses	1.5	1.3	1.6

L. E. Mahan Elected President Of Mtg. Bankers Ass'n—Byron V. Kanaley Elected Vice-Pres.

L. E. Mahan, St. Louis mortgage banker, was elected President of the Mortgage Bankers Association of America, at Chicago, on Oct. 20, at the organization's annual meeting at the Edgewater Beach Hotel. He succeeds H. G. Woodruff, Detroit. Byron V. Kanaley, Chicago, was elected Vice-President for the 1944-45 term. Others elected on the slate proposed by the nominating committee headed by Charles A. Mullenix, Cleveland, were seven regional Vice-Presidents: Roy F. Taylor, Seattle; C. W. Mead, Omaha; C. Earl Giraldin, St. Louis; Harry A. Fischer, Chicago; Ernest H. Hackman, Ft. Wayne, Ind.; J. C. McGee, Jackson, Miss.; and Guy T. O. Hollyday, Baltimore.

Lawrence E. Mahan

Elected to the Board of Governors for terms expiring in 1948 were M. T. MacDonald, Jersey City; Harold D. Rutan, New York; R. C. Houser, Miami; C. P. Kennedy, Cincinnati; Edward F. Lambrecht, Detroit; H. G. McCall, St. Paul; and R. O. Deming, Jr., Oswego, Kan.

Mr. Mahan's association with the organization covers more than two-thirds of its history. He has been in mortgage banking since 1915 when he became associated with the Mississippi Valley Trust Company, St. Louis, in the farm loan department. Since 1919 he has devoted his attention to the city loan field. During the first World War he was in charge of all real estate and mortgages in this country and insular possessions taken in connection with the Trading with the Enemy Act. He organized his present firm, L. E. Mahan & Company, in 1931. He was one of the founders of the Mortgage Bankers Association of St. Louis and the Mortgage Bankers Legion, an affiliate of the national association. He is a director of the Paramount Fire Insurance Co., New York, and the St. Louis Fire and Marine Insurance Co.

Mr. Kanaley was one of the organizers and first President of the Chicago Mortgage Bankers Association and served for three terms. He is a graduate of the University of Notre Dame and Harvard Law School. He is Chairman of the Board of Lay Trustees of Notre Dame. He is a member of the executive committees of several charities, including the Catholic Charities of the Archdiocese of Chicago. He is President of Winnetka Community Chest, director of Chicago Community Chest, former Treasurer of Chicago Real Estate Board and former President of Chicago Realty Club. He is President of Cooper, Kanaley & Co., Chicago.

The Financial Situation

(Continued from first page)

Imperialism in New Dress

A second myth—that the age of "imperialism" and of "world politics" in the ordinary sense is dead and gone—has not fared very well of late, either. Russia's attitude toward Iran and its oil, and its semi-official rebuke of the United States in connection therewith—and for that matter, the apparent activities of Great Britain and the United States in that area—hardly bespeak lack of imperialistic interest in these much-bedeviled areas. It has, of course, long been evident that Russia intended to do a good deal in eastern Europe which could not be reconciled with the Atlantic Charter. Nothing that has occurred of late suggests any change in this situation. On the contrary, recent admissions by Mr. Churchill make it clear enough that no basic change has occurred—and it may be added that the conferences of Mr. Churchill and Mr. Stalin have every appearance of being essentially of the sort that was so familiar to students of international affairs long before the Atlantic Charter was ever thought of. Imperialism and its accompaniments may change form a good deal in the next few years, but it would be folly to suppose that a new heaven or a new earth is about to appear.

Change Inevitable

Again, this war, as major wars have in the past, will effect definite changes in the relative positions of the nations of the world. We of the United States could not prevent such a change if we were to try, and effort on our part to prevent it could very easily cost us much of our standing and position — to say nothing of our wealth. One would suppose that warnings of this sort would be quite unnecessary. Recent discussions and recent events, however, make it clear that it is essential to call the attention of the public to this rather obvious fact. We are a sentimental people and at the moment are much too greatly influenced by sentimentalists in our midst. We have friends, moreover, who have some strange ideas, to say the least, about our obligations, moral or otherwise, to some of our allies.

Our Friends

Mr. Churchill, able and admirable war leader that he is, is still a British subject with a natural desire and marked ability to look after British interests. At times he seems to have his full share of that characteristically British notion that the world in general, and the United States in particular, owes a debt of gratitude to the British Empire which can never be repaid but which should in part be recognized by large gifts of money or other things of value. Recent reports, quite reliable we are told, that the wily Englishman has more than half convinced the Administration at Washington that we owe it to Great Britain (or perhaps to ourselves) to supply England with several billion dollars worth of goods to be used by that country in securing markets which we might otherwise have after the war, strongly suggest that the American people would do well to be on guard against their friends.

Paying Ourselves

Another popular fallacy appears strangely out of place so soon after our experiences of the 'Thirties. This notion is to the effect that we can profit by sending large quantities of our goods abroad to be paid for with funds which we ourselves provide. This is precisely the procedure employed in developing and maintaining our large export trade during the 'Twenties. We were supposed to have learned during the 'Thirties that we had given most of our goods away—and, in addition, that the process had horribly disarranged our domestic economy. Yet somehow it appears to be supposed that the technique can be robbed of its power to do harm and impregnated with magic power for good if only somehow "government" activates, controls and guarantees the processes. In the view of many, the procedure is perfected when not one, but several governments (even if most of them are as insolvent as the people they rule) undertake to guarantee loans made. Of course, loans which do not rest upon a sound economic basis are without general economic benefit no matter who or what guarantees them.

Each Tub On Its Own Bottom

Many of us appear to be determined to ignore another simple and inexorable fact. No people has any right to expect anything in this world to which it has not entitled itself by its own efforts. It is more than doubtful if any people will ever or can ever long enjoy any economic blessing that it did not directly or indirectly earn by its own endeavors. This again appears almost too trite for repetition. Yet neglect of it is apparently leading us to some dangerous lines of policy. We might return to China for an illustration, or cite India as an example. Many in this country seem to dream of bringing the blessings of our western civilization to these peoples. We could doubtless proceed—whether the natives liked it or not — to "industrialize" these countries and, possibly, by recruiting a number of natives, manage to produce there substantial amounts of goods we prize highly, but whether the native population would be the better off for it all, and whether we should grow rich or completely bankrupt with the endeavor, would depend upon the native populations—which up to this time have certainly not shown much interest in being "industrialized." Let us avoid the egotism of supposing that we have been called from on high to save the world from itself.

Can we not now inject a little sound common sense into our thinking about foreign relations?

President Directs Nelson to Return to China To Organize War Production Board There

Donald M. Nelson, former chairman of the War Production Board, who in September returned from a special mission to China, undertaken at the request of President Roosevelt, was on Nov. 2 directed by the President to return to China to organize a Chinese War Production Board. According to the White House announcement the return of Mr. Nelson had been urged by Generalissimo Chiang Kai-shek. The White House announcement, as given in Washington advices Nov. 2 to the New York "Herald Tribune" by Raymond J. Blair, follows:

"At a conference with Mr. Donald Nelson today, the President asked Mr. Nelson to set the earliest possible date for his return to China, which has been urged by Generalissimo Chiang Kai-shek.

"As the President's personal representative, Mr. Nelson will continue his work with the Generalissimo on measures aimed at strengthening the Chinese war effort, and notably in organizing a War Production Board to increase the output of China's war industries.

"Mr. Nelson is taking with him as his deputy for this undertaking Mr. Howard Coonley, War Production Board Executive and Chairman of the Walworth Co., valve manufacturers. He is also bringing with him Mr. Eugene M. Stallings, American technical expert in alcohol production, and a mission of five steel experts headed by Mr. Herbert W. Graham, chief metallurgist of Jones & Laughlin Steel Corp."

In Associated Press advices from Washington Nov. 2 it was stated:

"Today's White House visit was Mr. Nelson's first since Mr. Roosevelt announced the recall from China of Gen. Joseph W. Stilwell because of what the President later described as a clash of personality with Chiang, and the resignation of Ambassador Clarence E. Gauss. Gen. Stilwell was chief of the Burma-China-India Command.

"Mr. Nelson, former Chairman of the WLB, was accompanied on his first trip by Major-General Patrick J. Hurley, who has since remained in China."

From Minneapolis the Associated Press had the following to say anent the recall of Gen. Stilwell:

"Representative Walter H. Judd (Rep., Minn.), declared in a statement today that Gen. Joseph W. Stilwell was relieved as American commander in the Far East because Generalissimo Chiang Kai-shek had refused to accept a White House ultimatum, delivered by Gen. Stillwell, demanding that Gen. Stilwell be made commander of all of China's armies.

"The Congressman—a physician and surgeon—said the ultimatum threatened withdrawal of American military support from China.

"Dr. Judd, who had been a medical missionary in China from 1925 to 1931 and again from 1934 to 1938, was in Chungking last September when the situation came to a head, and his knowledge of it was gained, he said, from the highest Chinese sources in Chungking.

"'The stories of returned correspondents from Washington, purporting to tell the "inside" Stillwell story, are true as far as they go,'" Dr. Judd said, "'but their sources of information skillfully omit the things that precipitated the action. They tell of Chiang's "ultimatum" demand Gen. Stillwell's withdrawal, but if there is to be talk of ultimatums let it be on the record that Chiang's act was the result of an ultimatum presented by Gen. Stilwell as the agent of the White House.'

"Dr. Judd said the ultimatum was issued over the head of the War Department and demanded that Gen. Stilwell be appointed over-all commander in China with military authority over even Chiang himself, and threatened the withdrawal of American military support unless this was done.

"President Roosevelt was thus put in a position of having to withdraw United States from the war against Japan on China or withdraw Gen. Stilwell, said Dr. Judd."

An item bearing on the return of Mr. Nelson from China appeared in our issue of Oct. 5, page 1513, and reference to his resignation from the War Production Board was made in the same issue on page 1507.

Announcement that Gen. Stilwell had been relieved of his duties in the Far East and recalled to Washington was indicated in press accounts from Washington Oct. 28.

President Proclaims Nov. 23 Thanksgiving

Nov. 23 was designated as National Thanksgiving Day in a proclamation issued on Nov. 2 by President Roosevelt. In thus setting aside the fourth Thursday of the month as a day of Thanksgiving the President followed the law enacted by Congress on Dec. 26, 1941. Five states, says the Associated Press, plan to observe Nov. 30, the last Thursday, through local choice.

We should give thanks to God, says the President in his Proclamation "for the preservation of our way of life from the threat of destruction, for the unity of spirit which has kept our Nation strong, for our abiding faith in freedom and for the promise of enduring peace." The reading of the Holy Scriptures from Thanksgiving Day to Christmas is suggested by the President as a means of expressing "our gratitude to Almighty God."

Pointing out that the complication of two Thanksgiving days is continuing this year, despite Congressional action to end the Roosevelt experiment of an earlier Thanksgiving started in 1939, because this month has five Thursdays, the Associated Press on Nov. 2 added:

Forty States and the District of Columbia have fixed November 23 for the holiday in line with the Federal statute, but Florida, Idaho, Nebraska, Tennessee, Texas and Virginia plan to observe November 30.

In two States, Arkansas and Georgia, there is a possibility that both dates will be recognized.

When the President first tried out the week earlier date in 1939, many Governors ignored the change and fixed the traditional date, the fourth or last Thursday in November, set first by President Lincoln in 1864.

The 1941 joint resolution approved by Congress and the President fixed the future date as the fourth Thursday. On top of this, many States passed laws regarding the holiday.

Governor Adkins of Arkansas was about to proclaim Nov. 23 when it was discovered the Legislature had ordered the State to observe the last Thursday in the month. The result may be two Thanksgivings because sporting and other traditional events already have been set for the earlier date.

Georgia also has difficulties. The State Attorney General has upheld a statute setting the last Thursday.

The President's proclamation follows:

A Proclamation

In this year of liberation, which has seen so many millions freed from tyrannical rule, it is fitting that we give thanks with special fervor to our Heavenly Father for the mercies we have received individually and as a nation and for the blessings He has restored, through the victories of our arms and those of our allies, to his children in other lands.

For the preservation of our way of life from the threat of destruction; for the unity of spirit which has kept our nation strong; for our abiding faith in freedom; and for the promise of an enduring peace, we should lift up our hearts in thanksgiving.

For the harvest that has sustained us and, in its fullness brought succor to other peoples; for the bounty of our soil, which has produced the sinews of war for the protection of our liberties; and for a multitude of private blessings, known only in our hearts, we should give united thanks to God.

To the end that we may bear more earnest witness to our gratitude to Almighty God, I suggest a nation-wide reading of the Holy Scriptures during the period from Thanksgiving Day to Christmas. Let every man of every creed go to his own version of the Scriptures for a renewed and strengthening contact with those eternal truths and majestic principles which have inspired such measure of true greatness as this nation has achieved.

Now, therefore, I, Franklin D. Roosevelt, President of the United States of America, in consonance with the joint resolution of the Congress approved Dec. 26, 1941, do hereby proclaim Thursday, the twenty-third day of November, 1944, a day of national thanksgiving; and I call upon the people of the United States to observe it by bending every effort to hasten the day of final victory and by offering to God our devout gratitude for his goodness to us and to our fellow-men.

Wienert Appointed

Robert Lassiter, chairman of the Boar of the Federal Reserve Bank of Richmond announced on Oct. 27 the appointment of A. C. Wienert as Assistant Cashier of the Baltimore branch of the Reserve bank. The board of directors in making known the appointment stated that it would go into effect Nov. 1.

The Baltimore "Sun" in reporting this said that Mr. Wienert has been connected with the Baltimore branch since September, 1919 and that during his period of employment he has served invarious departments of the bank and in the last few years has been manager of its accounting department.

The Baltimore branch has two other Assistant Cashiers. These are John A. Johnson and Donald F. Hagner. W. R. Milford is Managing Director of the local branch and John R. Cupit Cashier.

The State Of Trade

(Continued from page 2050)

into flame at any moment. Much tin plate tonnage for export was transferred from Chicago to other districts, because of inability to secure sufficient labor there for packaging operations, reports "The Iron Age."

Prospects for post-war steel business are growing. A major appliance manufacturer is making preparations to place sheet orders for 45,000 refrigerators, 30,000 stoves and 30,000 washing machines, while a Chicago firm is planning to enter the low temperature field with an initial production of 25,000 cabinets and refrigerator units. On the heels of reports covering potential flat rolled steel demand for post-war uses, some concern is developing over the availability of flat rolled steel in the period of unrestrained production after the war. New customers using sheet steel in civilian goods production, the trade journal discloses, are contacting mills which have previously not shared in their business, evidently with an eye to getting on their books in the period of initial civilian goods output in order to establish themselves as regular customers. In the scrap market, trends were substantially unchanged the past week.

The American Iron and Steel Institute announced last Monday that the operating rate of steel companies (including 94% of the industry) will be 96.3% of capacity for the week beginning Nov. 6, compared with 94.4% one week ago. This week's operating rate is equivalent to 1,732,400 net tons of steel ingots and castings, compared with 1,707,200 net tons last week and 1,711,600 tons one year ago.

Electric Production—The Edison Electric Institute reports that the output of electricity increased to approximately 4,358,293,000 kwh. in the week ended Oct. 28 from 4,345,352,000 kwh. in the preceding week. The latest figures approximate a decline of 2.1% from the level of one year ago, when output reached 4,452,592,000 kwh.

Consolidated Edison Co. of New York reports system output of 172,000,000 kilowatt-hours in the week ended Oct. 29, 1944, and compares with 222,500,000 kilowatt-hours for the corresponding week of 1943, or a decrease of 22.7%.

Local distribution of electricity amounted to 169,700,000 kilowatt-hours, compared with 213,200,000 kilowatt-hours for the corresponding week of last year, a decrease of 20.4%.

Railroad Operating Revenues—Class I railroads of the U. S. in September, 1944, had an estimated net income, after interest and rentals, of $55,400,000, compared with $69,977,815 in September, 1943, according to reports filed by the carriers with the Bureau of Railway Economics of the Association of American Railroads.

In the first nine months of 1944 estimated net income, after interest and rentals, totaled $502,000,000, compared with $697,444,084 in the corresponding period of 1943.

In September net railway operating income before interest and rentals, was $89,126,460 and compared with a net railway operating income of $110,258,969 in September, 1943. It should be noted that September is the 16th consecutive month in which net earnings of the carriers has shown a decline.

For the first nine months of 1944 net railway operating income, before interest and rentals totaled $847,884,524, compared with $1,082,556,139 in the same period of 1943.

In the 12 months ended Sept. 30, 1944, the rate of return on property investment averaged 4.10%, compared with a rate of 5.89% for the 12 months ended Sept. 30, 1943.

Operating revenues for September totaled $799,228,980, compared with $776,487,330 in September, 1943, while operating expenses totaled $521,264,147, compared with $477,986,227 in the same month of 1943.

Total operating revenues in the first nine months of 1944 totaled $7,080,522,174, compared with $6,714,139,539 in the same period of 1943, or an increase of 5.5%. Operating expenses in the first nine months amounted to $4,662,587,502, compared with $4,042,251,523 in the corresponding period of 1943, or an increase of 15.3%.

In the first nine months of 1944 the carriers paid $1,419,213,781 in taxes, compared with $1,445,072,858 in the same period of 1943. For September alone, the tax bill of the Class I railroads amounted to $139,620,826, a decrease of $3,263,718 or 1.9% under September, 1943.

Fourteen Class I railroads failed to earn interest and rentals in the first nine months of 1944, of which eight were in the Eastern District, one in the Southern Region, and five in the Western District.

Railroad Freight Loadings—Carloadings of revenue freight for the week ended Oct. 28 totaled 916,446 cars, the Association of American Railroads announced. This was an increase of 10,505 cars, or 1.2% above the preceding week this year and 32,719 cars, or 3.7% above the corresponding week of 1943. Compared with a similar period in 1942, an increase of 25,886 cars, or 2.9%, is shown.

Coal Production—The U. S. Bureau of Mines reports production of Pennsylvania anthracite for week ended Oct. 28, 1944, at 1,319,000 tons, an increase of 34,000 tons (2.6%) from the preceding week, and 278,000 tons, or 26.7% above the corresponding week of 1943. The 1944 calendar year to date, however, shows an increase of 5.5% when compared with corresponding period of 1943.

The report of the Solid Fuels Administration placed bituminous production for the week ended Oct. 28 at 12,150,000 net tons, representing an increase of 350,000 tons, or 3%, compared with 11,800,000 tons in the preceding week. Production in the corresponding week of last year amounted to 10,026,000 net tons, while output for Jan. 1 to Oct. 28, 1944, totaled 518,555,000 net tons, as against 490,227,000 tons in the same 1943 period, or a gain of 5.8%.

Estimated production of beehive coke in the United States for the week ended Oct. 28, 1944, as reported by the same source showed an increase of 300 tons when compared with the output for the week ended Oct. 21, last. There was, however, a decline of 47,600 tons from the corresponding week of 1943.

Silver—In a quarterly review of the London Market by Samuel Montagu & Co. of London, conditions in the silver market showed no change. Silver from official stocks with occasional small offerings from production sources, provided the supplies and buying was again restricted to requirements for war industries. The London market for silver was unchanged at 23½d. The New York Official for foreign silver continued at 44¾ cents, with domestic silver at 70⅝ cents.

Lumber Shipments—The National Lumber Manufacturers Association reports that lumber shipments of 504 reporting mills were 7.1% below production for the week ended Oct. 28, while new orders of these mills were 20% less than production for the same period. Unfilled order files amounted to 91% of stocks.

For 1944 to date, shipments of reporting identical mills exceeded production by 2.6% and orders ran 4.6% above output.

Compared to the average corresponding week of 1935-39, production of reporting mills was 24.6% greater, shipments 18.3% greater, and orders 11.0% greater.

Crude Oil Production—Daily average gross crude oil production for the week ended Oct. 28, as estimated by the American Petroleum Institute, was 4,740,900 barrels. This represented a decrease of 4,000 barrels per day from the preceding week, but was, however, 32,400 barrels in excess of the daily average figure recommended by the Petroleum Administration for War for the month of October, 1944. When compared with the corresponding week last year, crude oil production was 437,950 barrels per day higher. For the four weeks ended Oct. 28, 1944, daily output averaged 4,725,950 barrels.

Reports from refining companies indicate that the industry as a whole ran to stills (on a Bureau of Mines basis) approximately 4,658,000 barrels of crude oil daily and produced 14,117,000 barrels of gasoline. Kerosene output totaled 1,486,000 barrels, with distillate fuel oil placed at 4,722,000 barrels and residual fuel oil at 8,985,000 barrels during the week ended Oct. 28, 1944. Storage supplies at the week-end totaled 79,058,000 barrels of gasoline; 14,323,000 barrels of kerosene; 48,863,000 barrels of distillate fuel, and 64,224,000 barrels of residual fuel oil. The above figures apply to the country as a whole, and do not reflect conditions on the East Coast.

Paper Production—Paper production for the week ended Oct. 28 was at 92.7% of capacity, as against 91.6% of capacity in the preceding week, the American Paper and Pulp Association's index of mill activity disclosed. The rate during the week ended Oct. 30 last year was 88.5% of capacity. As for paperboard, production for the same period was reported at 95% of capacity, against 94% in the preceding week.

Retail Hardware Sales—Independent retail hardware dealers' sales averaged 14% more in dollar volume in September of this year than for the same month one year ago, the "Hardware Age" reported in its every-other-week market summary appearing on Tuesday last. This average is based on reports from 1,194 independent retail hardware stores in all parts of the country.

For the first nine months of 1944 sales averaged 9% more, in dollar volume, than those enjoyed in the first three quarters of 1943.

Retail and Wholesale Trade—Activity marked retail and wholesale trade the past week for the country in general with moderate increases shown over a year ago. Dun & Bradstreet reported a rise in retail volume with all lines sharing as Christmas shopping gained momentum and seasonal sales expanded. This was especially true in handbags, costume jewelry, drugs and cosmetics. The same held true for durable goods, with food, drink, apparel and general merchandise sales topping the record set during the same period in 1943. Due to a rising demand among durable goods, a scarcity of table and floor lamps was the result.

Volume for retail food sales was about 5% over that of a year ago, with shortages of butter and other dairy products affecting the totals. Aside from this, supplies were sufficient and sales reflected a routine demand.

Retail activity stimulated the wholesale markets which were featured the past week by fill-in orders and spring apparel buying, with most wholesalers rationing allotments sent to retailers.

Retail volume for the country was estimated to be 6% to 9% over the same period of 1943, with regional percentage increases as follows: New England, 8 to 10%; East and Middle West, 6 to 8%; Northwest, 7 to 10%; South, 7 to 9%; Southwest, 4 to 7%, and Pacific Coast, 8 to 12%.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index, were 11% ahead of a year ago for the week ended Oct. 28. This compared with 8% in the preceding week. For the four weeks ended Oct. 28, 1944 sales increased by 13%. A 9% increase in department store sales for the year to Oct. 28, 1944, over 1943, was also noted.

Mild weather here in New York worked against expansion of heavier apparel sales, but notwithstanding this, retail trade was active the past week. Much interest was evinced in main floor, accessory and gift departments with department store volume, according to the New York "Times," about 15% above the similar week of last year.

It was noted that the presence of many buyers in the wholesale markets was for the purpose of completing the purchase of spring lines. Allotments continued the rule with signs pointing to further tightening of merchandise in many lines.

According to the Federal Reserve Bank's index, department store sales in New York City for the weekly period to Oct. 28 increased by 19% over the same period of last year. This compared with 6% in the preceding week. For the four weeks ended Oct. 28 sales rose by 12%, and for the year to Oct. 28 they improved by 9%.

Life Insurance Investments of Policyholders' Reserve Funds in Securities $858,000,000

The life insurance companies of the country have invested $858,000,000 of policyholders' reserve funds in the securities of business and industry in the first eight months of this year, to maintain their investment in this portion of the American economy, according to an announcement by the Institute of Life Insurance on Oct. 27. This is an increase of $348,000,000 over the purchases of this type of security in the same period of last year, but total holdings of this nature have increased only $89,000,000 since the first of the year. The Institute states:

"This large margin between purchases and increases in net holdings reflects the large proportion of maturities, refinancing and replacement necessary today to maintain investments. Over-all the life insurance companies made investment purchases of $6,484,000,000 in the first eight months of the year, more than any prewar full year's total of new investments and $1,829,000,000 more than in the same period of last year, and yet total investment holdings increased only $2,554,000,000.

"In the case of mortgages, the experience has been even more extreme, due to large prepayments. With total new mortgage purchases of $631,000,000 since the first of the year, total mortgage holdings have actually decreased by $59,000,000."

United States Government securities accounted for $4,835,000,000 of the eight month new investments and accounted for an increase of $2,770,000,000 in total holdings in the same period. State, county, municipal and foreign bonds accounted for $160,000,000 of the period's new investments, but total holdings of these issues actually decreased $105,000,000 in the eight months.

Administration of Anti-Trust Laws Seen as Obstacle to Post-War Recovery by C. Wilson

Charles E. Wilson, President of the General Electric Co., addressed a conference of utility executives in Atlanta, Ga., on Oct. 27 and criticized the administration of anti-trust laws as "one of the biggest obstacles to post-war recovery" because it breeds unhealthy attitudes in other Government operations."

United Press advices from Atlanta, Ga., reporting this on Oct. 27, indicated his further remarks as follows:

In his first public appearance since his stormy resignation from the WPB, Mr. Wilson said that due to "vague" language of anti-trust laws, business must "spend years and millions" defending itself in order to get a reasonable interpretation of many anti-trust laws from the Supreme Court.

"This is no attack on the Sherman Act, to the spirit of which I subscribe," Mr. Wilson emphasized, "but the language of the law is vague. Business men have to rely heavily on legal advice and even then they operate at their peril, because what was considered and declared to be legal 20 years ago, or 10 years, today may be the basis for prosecution.

"I think the administration of the anti-trust laws is one of the biggest obstacles to post-war recovery, because it breeds attitudes in other Government operations which are unhealthy, just as it raises up in industry an equivalent amount of scar tissue.

"And this doctrine of reasonableness unfortunately does not extend to the Department of Justice, which has introduced to the American scene a new technique of persecution. Roughly 10% of its energies seem to be exercised in the courts, while the other 90% are devoted to making speeches and writing articles impugning the motives of American business."

Business or Financial Communications to Italy

Postmaster Albert Goldman announced on Oct. 28 that the Post Office Department advises that the Treasury Department has announced communications of a business, financial or commercial nature, which are not actual business or financial transactions, may be transmitted to liberated Italy without Treasury license. The notice also says:

"For example, banks and other financial institutions may reply to requests for information from their depositors in liberated Italy; documents such as birth, death, and marriage certificates, wills and legal notices may be transmitted. Italian and United States concerns may exchange business information and correspond with respect to resumption of business relationships without obtaining a specific Treasury license.

"Persons desiring to send powers of attorney, proxies, payment orders, and similar documents to Italy should apply to their Federal Reserve Bank for an appropriate license.

"The limited mail service now in effect to certain provinces of Italy, including Sardinia and Sicily, is extended to include communications of a commercial, financial or business character, which are not actual business or financial transactions, although enclosures of checks, drafts, securities or currency continue to be prohibited.

"Facilities for the transmission of personal support remittances remain available."

Treasury Issues Circulars Giving Details Of Securities To Be Offered In Sixth War Loan

The official circulars containing the detailed terms and conditions of the 2½% and 2% Treasury bonds, the 1¼% Treasury notes and the ⅞% Treasury certificates of indebtedness, which will be sold, together with Series E, F, and G Savings Bonds and Treasury savings notes, during the Sixth War Loan Drive beginning November 20, were made available by Secretary of the Treasury Morgenthau on Oct. 23. Details of the terms of the securities, previously made available by Mr. Morgenthau, were given in our Oct. 12 issue, page 1613.

Under date of Oct. 21 Allan Sproul, President of the Federal Reserve Bank of New York, in a circular set out instructions to issuing agents in the New York District qualified for sale of United States War Savings Bonds, Series E, relative to their operations incident to the drive which will run from Nov. 20 to Dec. 16. These instructions follow:

1. Although the formal period of the drive runs from Nov. 20 through Dec. 16, all sales of Savings Bonds made during the months of November and December will be included in the totals for the drive, provided the stubs of such bonds are received by us in sufficient time to be processed not later than Dec. 30, 1944.

2. In anticipation of the large number of Series E bonds to be issued during the drive, issuing agents are urged to requisition in advance an adequate supply of bond stock so that they will be prepared to make prompt delivery of bonds during the drive. If the maximum amount of bond stock which any agent is authorized to have on hand is considered insufficient to meet the demands anticipated during the drive, we will consider a temporary increase in such maximum upon receipt of a written request therefor accompanied by a statement of the facts indicating the necessity for the increase.

3. During the months of November and December, all issuing agents, except those issuing bonds exclusively to persons enrolled in payroll allotment plans, are requested to report and remit for sales not less frequently than twice each week. Agents issuing bonds exclusively to persons under payroll allotment plans should report sales as frequently as possible. More frequent reporting by all agents will facilitate our work and will enable us to furnish accurate and up-to-date sales reports to the State War Finance Committees which will disseminate such information among the county chairmen throughout the Second Federal Reserve District.

Stock Exchange Committee Named to Direct Coordination of Blood Gifts From Wall Street

Hugh E. Paine, Chairman of the Wall Street Blood Donor Campaign, announced on Nov. 3 the appointment of 12 representatives of member firms as a New York Stock Exchange Committee to direct the coordination of blood gifts from its community. This group organized on Nov. 2 and pledged 250 pints of blood from their personnel, to be given to the Red Cross commencing at 11 o'clock on Monday, Nov. 6, which hour was reserved indefinitely for members of the Stock Exchange community, who will be canvassed by their firm Chairman. The goal is 6,000 pints, which is the number of men and women from the community who are with the fighting forces.

Members of the New York Stock Exchange Committee are: Walter A. Bone, Abbott, Proctor & Paine; Herman Mars, Adler, Coleman & Co.; H. C. Hempstead, Carlisle & Jacquelin; Mary Ellen McGowan, Eastman, Dillon & Co.; A. P. Morris, Estabrook & Co.; Louis Delmonico, Fahnestock & Co.; F. Kenneth Stephenson, Goldman, Sachs & Co.; Lewis Lundequist Harris, Upham & Co.; Margaret H. Blodgett, Merrill Lynch, Pierce, Fenner & Beane; Lillian Stolberg, F. S. Moseley & Co.; Max Silbermann, Newburger & Hano, and E. A. Rollka, New York Stock Exchange.

On Tuesday, Oct. 24, a donation of a pint of blood was undertaken on the steps of the Sub-Treasury Building in New York incident to the launching of a new and coordinated Wall Street Blood Donor Campaign. The American Red Cross, the Wall Street Blood Donor Committee and the Army, Navy and Marine Corps participated in this public demonstration. With the beginning of the intensified drive for blood donors from the financial district, a veteran of the first world war gave his 12th donation of one pint of blood, it was noted in the New York "Times" of Oct. 25. Emil Schram, President of the New York Stock Exchange, urged everyone to donate blood to the Red Cross, which has a goal of 5,000,000 pints for this year.

Proposed Curtailment In British War Supplies Likely To Cut Canadian War Orders By 50%

The Bank of Montreal in its Business Summary on Oct. 24 stated that "while the stubborn resistance which the German army has been able to organize on the western borders of its home territory has emphasized the severity of the fighting yet to be done before victory is achieved, the British Government has so far adhered to its decision to make a drastic curtailment by the close of the year of probably about 50% of its war orders placed in Canada." The bank goes on to say:

The reason for the decision is that supplies of certain types of war materials are considered amply sufficient to finish the war in Europe, even if it is prolonged to the spring. The reduction will chiefly affect guns, rifles, shells and some special types of weapons and instruments which are no longer needed. There will still be required by Britain, however, considerable quantities of transport and armoured vehicles, radio and communications devices and other types of war equipment.

Since British orders have been responsible for between 60% and 70% of Canada's total production of war materials, their sharp curtailment will affect the operations of numerous plants and the employment of an estimated number of 150,000 workers. But the cancellations will give a further impetus to the transfer of industrial manpower and resources to the production of civilian goods, which of late has been in steady progress, it being estimated that already the percentage of the output of war materials to total manufacturing production has been reduced to slightly over 50%. As the demand for many kinds of civilian goods is almost unlimited at present, conditions point to the maintenance of the general level of activity for the balance of the year on the same high scale as was recorded for the first eight months of 1944.

It is added that "with the year now well into its last quarter, there are convincing evidences that both government and business are addressing themselves vigorously to the formidable problems of post-war reconversion."

Lend-Lease Food to Allies for First Nine Months Decreases

Shipments of lend-lease food from the United States to our allies in the first nine months of the current year represented a generally smaller proportion of our national supply than in 1943, while the volume received as reverse lend-lease by our armed forces, notably in the United Kingdom, Australia and New Zealand, continued heavy, according to the quarterly report issued on Oct. 29 by Leo T. Crowley, Foreign Economic Administrator, which also said: "Figures now available indicate that we received 149,000 long tons of food from Australia alone in the second quarter of 1944, bringing the cumulative total received from that country to 594,370 tons. More than 90% of the food consumed by our troops in the South and Southwest Pacific is supplied by Australia and New Zealand as reverse lend-lease.

"Of 20 basic food classifications, the proportions of our lend-lease shipments to national supply in the first nine months of the year were lower in 12 instances, higher in six and unchanged in two. In terms of volume, however, lend-lease continued to supply about 10% of the British requirements and to play an important part in sustaining the rations of the Soviet Army. The United Kingdom and the U.S.S.R. receive virtually all lend-lease foods shipped from the United States.

"Reductions in the lend-lease percentage of total national supply were shown in all classes of meats. This year we have shipped under lend-lease 8.1% of our supply of all meats (dressed weight basis) as compared with 9.3% last year. The most striking change was in beef and veal, where the proportion this year is 0.8% of national supply as against 1.7% last year. In maintaining this program, the average United States civilian gave up two-tenths of an ounce of beef and veal per week in the first nine months of the year, a 50% reduction from the weekly average last year.

"A striking reduction was noted also in lamb and mutton shipments, which this year have taken 7.5% of our total supply as against 11.2% last year. We have sent 13.8% of our pork supply, a reduction from 14.6% last year. In poundage, pork constitutes the major meat movement in lend-lease.

"A slight gain was noted in the movement of milk products, due to increases in the proportion of our dry whole milk and cheese shipments. However, we have sent only 3.6% of our butter, 12.2% of condensed and evaporated milk and 29.4% of dry skim milk, all of these being reductions from the 1943 totals. Lend-lease took 4.1% of our butter last year. Butter under the Lend-Lease program is shipped only to the Russian Army, primarily for use in hospitals.

"We have sent 12.1% of our eggs (all in the form of dried eggs), 15.9% of our edible fats and oils, 10.3% of our canned fish and 6.9% of our canned fruit and juices. The percentage of total supply in each of these categories was lower than last year's.

"Increased percentages were noted in dried fruits, canned vegetables and dried peas. There was no change in percentages of corn and wheat and their products."

Benes Felicitated By Roosevelt, Stettinius on Anniversary of Czechoslovakia Independence

In congratulating President Eduard Benes (in London) on the occasion of the anniversary of the independence of Czechoslovakia, President Roosevelt referred to "this anniversary of the independence of Czechoslovakia" as of "especial significance." Washington advices on Oct. 27 to the New York "Times" reporting this, further indicated President Roosevelt as saying:

"The people and armed forces inside Czechoslovakia have joined actively and gloriously with their countrymen abroad in the ranks of the nations united against tyranny, and can look forward confidently to the celebration of future anniversaries in the full enjoyment of unsuppressed freedom.

"We Americans salute our Czechoslovak comrades-in-arms who are today so bravely contributing to the liberation of their homeland and the rest of Europe.

"The close ties and deep sympathy between the democratic peoples of Czechoslovakia and the United States have never ceased to find concrete expression since the days of President Masaryk and President Wilson.

"I look forward to the day when, victorious after a second great war for freedom, they can continue to work in harmony for their mutual security and welfare in a peaceful world."

In the same advices it was noted that Edward R. Stettinius Jr., Acting Secretary of State, in a statement said the people of Czechoslovakia were winning their fight for freedom and, with all the United Nations, would win the fight for lasting peace. Mr. Stettinius said:

"Today is the anniversary of the founding of the Republic of Czechoslovakia. The people of Czechoslovakia, within their own country as well as abroad, are boldly facing the despoilers of Europe, and wisely planning with the other free-spirited nations for a sound and just peace when that struggle shall have been won. They are winning their fight for freedom; they, with all the United Nations, propose to win the fight for lasting peace.

"This occasion makes it appropriate to recall the great contributions which the people of Czechoslovakia have always made in maintaining freedom, in advancing civilization and culture, and in forwarding international cooperation. May they long continue in that role."

Survey Shows Veterans Expect to Return To Pre-War Jobs

The great majority of life insurance men and women who are in the armed forces are expected to return to their pre-war jobs when they leave the service, according to the Institute of Life Insurance, which on Oct. 25 stated:

"A survey just made by the Institute shows that most of the life insurance companies expect 70% to 100% of their former employees to return to their pre-war posts or equivalent jobs with the same company.

"Adequate provision for the returning service men is one of the matters being given especially close attention by life insurance offices today. The companies are setting up definite plans to make certain that those who left to join the armed forces are quickly reestablished in satisfactory employment when they return. In some cases they are not only planning to reinstate them in their old jobs, if they want them, but are planning to help any who may not want to return to the old job to find other employment. Some of the companies are making detailed individual case studies in an endeavor to place the returning veterans most effectively.

"Many companies are now setting up special programs for retraining these employees as they return to their jobs. Refresher courses are being established for both home office employees and agents in the field."

In all but a few instances, the survey also shows, the companies believe that, in addition to absorbing all employees returning from service, they can also keep those added during the war who wish to remain. In addition, a number of these companies expect to add materially to total personnel from other returning service men.

Several life insurance companies, it is announced, are now working out special plans for the employment of disabled veterans, cooperating with local offices of Veteran Rehabilitation, and at least one already has its plans successfully in operation.

Additional Mail to Italy

Postmaster Albert Goldman announced on Oct. 30 that information has been received from the Post Office Department at Washington that international mail service has been resumed with six additional provinces in Italy. The provinces are: Ascoli Piceno, Grosseto, Macerata, Rieti, Terni and Viterbo. Mr. Goldman's advices state:

"The service is confined to personal correspondence. Commercial, financial or business communications may not be sent for the time being. Checks, drafts, securities and currencyy are excluded. Facilities are not yet available for registration, insurance, air mail, parcel post and money orders. When conditions warrant, personal support remittances will be authorized by the Treasury and War Departments. The weight limit on letters from the United States is two ounces and on those from Italy 40 grams. The mail is subject to censorship.

"Previously service was resumed with Sicily, Sardinia, and the mainland provinces of Aquila, Avellino, Bari, Benevento, Brindizi, Campobasso, Catanzaro, Chieti, Cosenza, Foggia, Frosinone, Lecce, Littoria, Matera, Naples, Pescara, Potenza, Reggio Calabria, Rome, Salerno, Taranto, Teramo, and with Vatican City State.

Sisto Plea Denied

The Securities and Exchange Commission has denied the application of J. A. Sisto & Co., New York City, for admission to membership in the National Association of Securities Dealers, Inc. In its findings, the Commission stated:

"We think the record of Sisto's relationships with Sisto Financial Corp. and with Barium Stainless Steel Corp. has a particular relevance to the issue whether Sisto's underwriting activities should be facilitated by permitting him to become a member of the NASD.

"Sisto's past record is not one of sporadic defections but rather one of a repeated pattern of action in which the use of affiliations for personal benefit at the expense of others seems to be the dominant factor. Under the circumstances, we cannot find it appropriate in the public interest to grant the application."

Favorable Outlook for Post-War Trade Between Latin America and U. S., Guaranty Trust Finds

In indicating the views of Latin-American bankers and business men as to the possibility and need for a large post-war trade with Latin America, the Guaranty Trust Company of New York states that the replies to its request for expressions of opinion, tend, for the most part to "support the view that the general outlook for post-war trade between Latin America and the United States is decidedly favorable."

"They recognize, however," says the trust company, in its "Guaranty Survey" of Oct. 31, "the extreme uncertainties that still surround such fundamental questions as international relations, trade barriers, free enterprise, currency stabilization and the prospect of lasting peace." "Our correspondents believe," continues the "Survey," "that rare opportunities for trade expansion exist but that the extent to which these opportunities can be realized will depend in large measure on the success with which the world meets the difficult task of reorganizing itself for a peaceful and prosperous existence."

Pointing out that "Latin-American holdings of gold and foreign exchange in the United States and abroad have reached the equivalent of more than $3,000,000,000, of which about two-thirds consists of gold, mostly in this country, and half a billion of United States dollars," the trust company in its monthly "Survey" reviewing business and financial conditions, says:

"These very substantial holdings of gold and foreign exchange have been built up through Latin-American countries supplying large quantities of their products to the United States and other nations allied against the Axis, while their opportunities for purchasing foreign goods have been limited by necessary wartime trade restrictions and transportation difficulties. As a consequence, there has accumulated presumably a large volume of deferred demand for goods from other countries, including the United States.

"Many industries in this country, with their productive capacities greatly expanded during the war, will be in an excellent position to meet an augmented Latin-American demand for their products—will, in fact, probably be in urgent need of such a demand. The same will be true of our merchant fleet, which has grown to enormous proportions as a result of emergency requirements for shipping facilities and can be kept adequately employed only if overseas trade is maintained at a high level." It was in view of these conditions, all of which, says the "Survey" point to the possibility and the need for a large post-war trade with Latin-America, the trust company recently asked for expressions of opinion concerning the outlook from those regarded as "well qualified to speak on the subject." In further making known their view, the "Survey" says:

"In most cases, our correspondents believe that the greatest opportunities for expansion of their export trade lie in those products, mainly agricultural commodities, that have formed the mainstay of such trade in the past. It is recognized, of course, that new industries have developed in Latin America as a result of wartime conditions and that their existence may affect future trade relations, for a time at least. There is considerable doubt, however, that the majority of these new industries can permanently operate in international competition at levels high enough to make them major factors in the aggregate trade situation.

"Opinion is almost unanimous that the greatest possibilities for post-war expansion of United States exports lie in industrial and agricultural machinery, transportation equipment, building materials and durable consumer goods such as electrical and radio equipment, refrigerators, etc. Chemicals and fine textile products also are prominently listed.

"Among desirable plans and preparations for expanding trade and promoting economic cooperation, by far the greatest emphasis is placed on two requirements: better transportation facilities and sounder commercial methods. The need for improved transportation is felt chiefly in ocean shipping, although in some cases the primary stress is on internal transport as a prerequisite to the general economic development of the country. The possible helpful effects of lower freight and tariff rates and more liberal trade regulations receive frequent mention. Almost as important, in the Latin-American view, is the requirement that traders in the United States give more attention to the adaptation of their products and their trading practices, including terms of credit, to the needs and customs of their Latin-American markets and sources of supply. . . .

"A second need is believed to be the quickest possible restoration of free enterprise. To a certain extent, the evil of governmental interference under present conditions is recognized as unavoidable; but, in the words of one correspondent, 'it is an evil still, and I hope that all countries will realize the need for a gradual return to other forms of organization, where more liberty will be given to the individual and less power to the state, which is the essence of democracy.'

"A third requirement is the establishment of currencies on a sound basis. 'Currency manipulations,' according to one correspondent, 'besides being economically harmful, are also politically dangerous, as they contribute to destroy the middle classes and place power in the hands of extremist parties, who have, or think they have, all to win and nothing to lose through political or military adventures.' The success of plans for currency stabilization 'will largely depend on the ability of all governments to reduce their expenditure.'"

Anniversary Greeting To Turkey By FDR

President Roosevelt in sending anniversary greetings to President Ismet Inonu of Turkey, on Oct. 30 had the following to say according to Associated Press accounts from Washington Oct. 30:

"Upon this national anniversary of Turkey the people of the United States join me in sending to you and to the people of Turkey congratulations and best wishes."

In the New York "Times" of Oct. 31 it was stated:

Turkey celebrated the 21st anniversary of the declaration of the republic "with unparalleled shows and parades," the Ankara radio reported. Ambassador Joseph C. Grew congratulated the Turks in a special broadcast.

The Columbia Broadcasting System recorded the broadcast, which quoted Mr. Grew, who had served as the first United States Ambassador to the Turkish Republic, as saying that the achievement of Mustafa Kemal Ataturk and Ismet Inonu 21 years ago "could be compared to that realized by the United States. In both cases, strong foundations were laid down and both nations went forward in strength."

English Gold and Silver Markets

We reprint below the quarterly bullion letter of Samuel Montagu & Co., London, written under date of Oct. 2:

Gold

The amount of gold held in the Issue Department of the Bank of England during the months of July, August and September 1944 was unaltered at £241,718.

The Bank of England's buying price for gold remained unchanged at 168/-, per fine ounce, at which figure the above amount was calculated.

The Transvaal gold output for the months of June, July and August, 1944 is shown below, together with figures for the corresponding months of 1943 for the purpose of comparison:

1944	
June	1,038,331 fine ounces
July	1,039,851 fine ounces
August	1,053,954 fine ounces
1943	
June	1,064,572 fine ounces
July	1,089,708 fine ounces
August	1,059,932 fine ounces

Silver

Conditions in the London Market showed no change and throughout the three months under review the price remained unaltered at 23½d. per ounce standard for both cash and two months' delivery. Silver from official stocks, with occasional small offerings from production sources, provided the supplies and buying was again restricted to requirements for war industries.

There were, however, interesting developments in the Bombay Market. The Government's intentions regarding the sale of American lend-lease silver were not made known as early as anticipated, and this led to a demand to cover short sales; as a result the price was forced up to Rs. 139-8-0 per 100 tolas (equal to 61 15/16d. per ounce standard) by July 31st. In the meantime, a deadlock had arisen in the Market owing to the refusal of Bulls to comply with the resolution of the Bombay Bullion Exchange which permitted the renewal of ready delivery contracts under a penalty of one rupee to the buyers. Bulls claimed that the resolution was contrary to the Defense of India Rule prohibiting forward dealings in silver and insisted on fulfilment of contracts; on the other hand Bears claimed protection from the Bullion Exchange Board, maintaining that the position had been created by the Board's rules on the understanding that physical delivery would not be called for. The matter was referred to the High Court and on August 4th it was announced that trading in silver would be suspended until further notice as a result of an interim injunction restraining the Bullion Exchange from enforcing their resolution.

On August 7th the Reserve Bank asked for tenders for 200 bars of silver and some 150 bars were tendered for and accepted at Rs. 131 and over; on the following day it was reported that the Reserve Bank would offer 200 bars of silver daily and these sales eased the situation in the Market. Dealers were reported to be settling differences direct with each other on a basis of Rs.134 to Rs.135 and it was estimated that the large majority of the transactions outstanding were adjusted, leaving only a few to be settled by the Court should the parties concerned so decide.

The Market re-opened on Aug. 24th, with prices showing an easier tendency on favorable war news, and sales by the Reserve Bank proceeded until, owing to the steady fall in prices, tenders were at prices too low to be acceptable. Peace rumors, reports that the Reserve Bank would sell at lower rates and arrivals of silver from up-country hastened the decline in price and Rs.119-6-0 was touched on Sept. 21st (this price equals about 53d. per ounce standard). Subsequently, bear covering caused a slight rally and the quotation on Sept. 29th was Rs. 121-12-0.

National Selling Program Announced By Treasury's Office of Surplus Property

In furtherance of what he announces as "a National selling program of interest to all purchasers of surplus property," Russell C. Duncan in Charge of Sales and Merchandising of Treasury's Office of Surplus Property stated on Oct 28, that "no longer will it be necessary for persons to contact each of the eleven regions of the country to determine what surpluses are available because information on all large quantities of goods will be available right 'next door' to each regional office".

A "Surplus Reporter" says Mr. Duncan, "is to be issued from each regional office at regular intervals. This will advise firms on Treasury's mailing list what the Treasury has to sell, the area in which material is located and the general method which will be used to sell it."

Mr. Duncan's announcement continued:

"Interested purchasers will then contact the regional office and indicate their interest. If disposition is to be made by invitation to bid, forms will be sent. If sale will be made by fixed price, negotiation or otherwise, the prospective purchaser will be so advised.

"The new system will discontinue the practice of automatically sending invitations to bid. In the future, those interested will request invitations on specific items after they have received notice of what is available.

"The new plan will cut down enormously the amount of paper and manpower consumed in the process of disposing of surplus and at the same time furnish more complete information of things to sell.

"The new plan will eventually cover all eight divisions of Treasury's Office of Surplus Property consisting of the following: Furniture, Hardware, Machinery, Automotive, Textiles and Wearing Apparel, Medical and Surgical, Paper and Office Supplies, and General Products."

Mr. Duncan further stated that the Washington Office of Surplus Property will act as a policy, pricing and directorial staff, and as it is organized on a commodity division basis, each of the 11 regional offices are being set up with eight commodity departments to confirm with Washington. In charge of each of these Regional Departments will be a marketing specialist, who is a seasoned business man, familiar with trade practices in his particular field. It is added:

"Present mailing lists are being completely revised and those on the regional mailing list are being sent a form to check and return for the information they desire.

"Treasury's 11 Regional Offices of Surplus Property and the States they comprise are as follows:

"Region I—Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont. Region II—Pennsylvania, New Jersey, New York. Region III—Washington, D. C., Delaware, Maryland, North Carolina, Virginia. Region IV—Indiana, Kentucky, Ohio, West Virginia. Region V—Illinois, Michigan, Minnesota, North Dakota, South Dakota, Wisconsin. Region VI—Alabama, Florida, Georgia, Mississippi, South Carolina, Tennessee. Region VII—Arkansas, Louisiana, Oklahoma, Texas. Region VIII—Iowa, Kansas, Missouri, Nebraska. Region IX—Colorado, New Mexico, Utah, Wyoming. Region X—Arizona, California, Nevada. Region XI—Idaho, Oregon, Montana, Washington.

War Bond Redemption Through Banks Working Satisfactorily

"The new machinery for using qualified commercial banks and trust companies to pay eligible United States Savings Bonds is working satisfactorily, and redemptions now seem to be tapering off," Secretary Morgenthau said on Nov. 2. "I believe this indicates," he continued, "that the great majority of investors are patriotically determined to keep their money in the fight for freedom, victory and peace.

"While redemptions in October amounted to $400,000,000," said Mr. Morgenthau, "some of the increase may be explained by (1) the delayed cashing-in of bonds to take advantage of the new simpler and faster procedure inaugurated last Oct. 2, and (2) misunderstanding in some quarters as to the reasons for the new redemption machinery, some people interpreting the Treasury's announcement of Aug. 29, [which appeared in our issue Sept. 7, page 1061], as a request by the Government to exchange their bonds for cash. This, of course, was not the case."

Mr. Morgenthau added:

"While there are over 50,000 issuing agents in the country, there were only 37 paying agents (the 12 Federal Reserve Banks with their 24 branches and the Treasurer of the United States) before Oct. 2, compared to some 13,000 paying agents under the system now in effect.

"Redemptions for the month of October amounted to 1.06% of the amount of all U. S. Savings Bonds outstanding. This compares with a redemption rate of 76/100ths of 1% of the amount outstanding in September and 85/100ths of 1% of the amount outstanding in May, the highest previous percentage of redemptions in a single month.

"With $42,700,000,000 of all U. S. Savings Bonds issued from the beginning of the program in March 1, 1935, redemptions for the same period aggregated $5,100,000,000, thus leaving 88.1% still invested in these securities."

Amend Rule W On Loans to Servicemen

The Board of Governors of the Federal Reserve System announced on Nov. 4 that it has adopted Amendment No. 14 to its Regulation W, relating to consumer credit, the amendment becoming effective Nov. 6. The board says:

"The purpose of Amendment No. 14 is to exempt from the provisions of the regulation any loan guaranteed by the Administrator of Veterans' Affairs pursuant to Title III of the Servicemen's Readjustment Act of 1944. The amendment is as follows:

"Amendment No. 14 to Regulation W, issued by the Board of Governors of the Federal Reserve System:

"Regulation W is hereby amended, effective Nov. 6, 1944, by adding to section 8 entitled 'Exceptions' the following new subsection:

"(q) Servicemen's Guaranteed Loans—Any extension of credit guaranteed in whole or in part by the Administrator of Veterans' Affairs pursuant to the provisions of Title III of the Servicemen's Readjustment Act of 1944."

Problem Of Gold Redistribution

(Continued from first page)

sound monetary and credit practices at home, and otherwise keep their financial houses in order can the exchange values of their currencies be permanently maintained. When such policies are followed, no international fund is required to keep exchange rates at parity. When they are not followed, any attempt to enforce an arbitrary and unreal stability is not only futile but dangerous."

Perhaps, and wisely so, it was deemed best that these matters should be left for automatic solution or to be adjusted independently by each nation in a manner that suits its own interests. All evils are cured by time, but before the slow evolutionary processes involved in natural adaptation are worked out, the whole handsome structure, so ostentatiously set up amid the rugged beauties of the White Mountains, may collapse or become obsolete. Certainly, if the International Monetary Fund and the International Bank for Reconstruction and Development are to fulfill the purposes expected of them, they should function immediately during the transition period from a wartime to a peacetime economy. This would imply that all problems relating both directly and indirectly to international exchange stabilization and monetary harmony should be worked out simultaneously and should not be left to the exigencies of haphazard and independent adjustments.

As stated in the well-known Macmillan Report to Parliament in 1931, "it is highly desirable that throughout the world the disadvantages of the immobilization of gold, and the laws whereby a high proportion of the world's gold is rendered sterile, should be modified, and we should not maintain any legislation which conflicts with this aim."

Notwithstanding the efforts here and abroad to belittle the importance of gold reserves in future monetary adjustments and in effecting the settlement of international balances, it appears quite clear that the basis of the whole structure of both the International Monetary Fund and the International Bank is the recognition that gold (or its equivalent in United States dollars) is to continue to be the international exchange medium. The quotas of contribution to both the Fund and the Bank are stated in United States dollars of their present weight and fineness. The contributions to the Bank's capital are specifically set up as being payable in gold or dollars—and it is specifically provided that any loans made or guaranteed by the Bank, regardless of the currency in which it is made, must be repaid in its gold equivalent at the time the loan is made, thus assuring the Bank against losses due to currency depreciation in terms of gold.

Assuming the retention of these provisions, should the actual functioning of the Fund and the Bank take place, it will be extremely important to the success of its operations that the participating nations be supplied with the gold reserves they should normally require. But nothing along this line has as yet been done or even widely and openly discussed. Yet, it cannot be denied that there is a serious lack of equilibrium in the present distribution of the world's monetary gold.

The disequilibrium is even more pronounced than after the end of the last war. The maladjustments in international trade and the monetary chaos which were experienced then are likely to occur again, and the ultimate "come through" may follow along the same unpleasant lines, unless action is taken or means are discovered in advance to avoid the mistakes and mishaps of the past. As stated by Dr. Charles O. Hardy, Vice-President of the Federal Reserve Bank of Kansas City, in his monograph on "The Post-War Role of Gold," — "The situation in which important countries hold excess reserves which rise and fall without any effect on the money markets and the purchasing of the communities, is incompatible with the effective operation of the gold standard. The various money markets must not be insulated from the effects of gold movements. This means not merely that markets must be tightened when the balance of payments leads to a loss of gold, but also that they must be eased by an inflow of gold."

Of course, it might be said that conditions are different now, that "managed currencies" have been substituted for the gold standard in most countries, and that the currency inflation and monetary chaos following World War I will be studiously avoided after the present conflict. But can we count on this wishful thinking?

II

It may be of interest in connection with the solution of the problem to review briefly the redistribution of gold reserves following the First World War. When hostilities ended late in 1918, the central banking reserves of the leading countries were slightly under $8 billions (old value), estimating Russia's supply at about $666 million. Of this total, the United States held approximately $3 billion. The remainder was largely comprised in the reserves of Great Britain, France and Switzerland. The Central Powers and the newly created States were left almost entirely without a monetary gold supply, and the South American countries had practically little in the way of metallic monetary reserves.

During most of the next decade, the nations experiencing an inadequate amount of gold for foreign exchange purposes, struggled to obtain the necessary supplies in order to return to a gold basis, and, as a result, a measure of redistribution was finally accomplished. All belligerents, with the exception of Great Britain and the United States, resorted to currency devaluation. Hyper-inflation in Germany, Austria, Russia, and Poland resulted in the extinguishment of the old exchange medium and left the way open for the creation of new money. France devalued at about one-fourth of its previous gold parity and Italy adopted a similar policy, but England gradually restored the old unit of value and in 1925 resumed the redemption of Bank of England notes. Several South American countries made efforts, with some temporary success, toward linking their currencies to gold, so that within a decade after peace the world was again on an international gold standard basis.

All this meant a process of a gradual redistribution of gold, despite the fact that up to the time Great Britain restored the gold standard, the United States continued to accumulate the metal. Without going into the historical details regarding the methods by which this change was accomplished. three principal factors may be said to have played a part in the restoration of partial equilibrium. First, there were the so-called stabilization, reconstruction, and other loans which were made by the United States Government and private investors to foreign countries. These, combined, are roughly estimated to have been as much as $25 billions. A large part of these loans, however, played little part in restoring monetary stability, since the proceeds were used to purchase goods in the United States and elsewhere.

Another method employed was the creation of foreign balances in gold standard countries through exports or through short term loans on current account. This represented a switch in the basis from an "out-and-out" gold standard to a semblance of the gold exchange standard. This standard was officially recommended by the Genoa Conference, which met in the spring of 1922, to consider the problems of financial reconstruction, and was adopted by several of the newly established nations such as Poland, Czecho-Slovakia and Hungary. Argentina and Mexico also restored the system. It did not, as a whole, work out successfully. The reasons for its failure, particularly after 1929, will be discussed later. But it did, for a time, assist in correcting a bad foreign exchange situation in some of the countries that resorted to it, though it eventually proved to be somewhat disastrous to the creditor and gold standard nations, such as Great Britain and the United States. It was because of the withdrawal of foreign balances created by the gold exchange countries in 1931 that led directly to the suspension of the gold standard by Great Britain.

Another means of establishing or, rather, of dispensing with a metallic reserve was the creation of international monetary or exchange "areas," or "blocs." The system is, in reality, a phase of the gold exchange standard, except that an "area" may not constitute a group which definitely links its currencies to gold. The so-called "sterling area" is the outstanding example of the system. This consisted of a group of countries, comprising the British Commonwealth of Nations (excluding Canada), as well as the Scandinavian and Baltic States, together with Portugal. These nations kept their exchanges stabilized in terms of the pound sterling rather than by adhering to a fixed quantity of gold in the monetary unit, and as in the case of the gold exchange standard, each participating country sought to maintain a credit balance in Great Britain.

The scheme naturally dispenses with the necessity of maintaining a domestic gold reserve to settle balances among the participants in the "area," and thus economizes the use of gold both at home and in foreign exchange transactions. An arrangement of this sort is now practically in effect between the United States and several Latin American countries. And as E. M. Bernstein, Assistant Director of Monetary Research, United States Treasury, recently announced (See "Chronicle" of Sept. 7th, page 1046) "the fact that in the latter part of the 1930's the exchanges of the American republics is in part due to the arrangements we had made with some of these countries for stabilization of the exchanges and for consultation on exchange policy. Although under these agreements we undertake to provide dollar exchange when needed for stabilizing the currencies of cooperating countries, we have never lost a cent under any of our stabilization arrangements." And considering Great Britain's experience in 1931, I might add, "we can only hope but not absolutely expect that we never will."

Still another and, undoubtedly, a more effective method of building up a gold reserve or stabilizing the exchange value of a domestic currency is that employed by France for more than a decade preceding the present war in Europe. Strongly desirous of avoiding a renewal of depreciation and devaluation of the franc after its restoration to a gold basis, France took drastic measures to fortify its monetary metallic reserve.

The means of effecting this were, (1) discouraging French investments abroad through heavy taxation, and (2) by severely limiting the importation of foreign goods and services. Both these measures seem to have accomplished the purpose. During the period from 1926 to 1933, the gold of the Bank of France increased from $711 million to $3,257 million. Some of this increase may be ascribed to the repatriation of French capital following the revaluation of the franc, but the bulk of it arose from the policy of creating a favorable balance of payments, and the making of France the leader of the "gold bloc" nations, in opposition to the "sterling area."

The struggle that France maintained against the incursions of the British and American policy of competitive exchange depreciation, after Great Britain abandoned the gold standard in 1931, was not in vain, since the Tripartite Agreement of 1936 had for its purpose the cessation of further exchange depreciation of the three nations involved.

III

We now come to a consideration of the problem of gold redistribution after the present war. It is quite evident that the conditions will differ to some extent from those prevailing immediately following the last war. It is quite possible also that gold will not occupy as important a position in the restoration of monetary stability as formerly. But it should be borne in mind that the present conflict is more widespread and more devastating that the struggle of a quarter of a century ago, so that the dangers of post-war inflation and monetary chaos are even more pronounced.

This condition undoubtedly has been recognized by the statesmen and the economists of the principal allied powers. The Bretton Woods agreements are but one of the many measures which have been or should be proposed to prevent or to combat it.

When hostilities end in the devastated areas, the governments of the nations involved will seek to enter immediately upon reconstruction activities. All this will involve heavy expenditures under a condition of reduced taxable resources. This is a situation inviting a resort to post-war monetary inflation. It behooves the United States Government, in its own economic and political interests, as the government of the richest and best equipped nation to take every measure possible, consistent with the recognition of the domestic sovereignty of other nations, to prevent such a calamity. As we now hold the bulk of the world's supply of monetary metal, and can very well get along with a considerably reduced amount, one or several methods or contrivances should be devised to effect an equitable and sane redistribution among the trading nations.

As pointed out above, the Bretton Woods agreements provide no effective measures for accomplishing this, and seem to neglect the problem. The difficulty must be faced, however, and some solution attempted, since, if neglected it may lead to the collapse of the whole scheme of multilateral economic cooperation, and bring about the trade disruptions and political and economic disturbances that followed the last war.

What are the measures to be taken?

Setting aside the likelihood or advisability of "free gifts" of gold to those nations requiring it, the first measure of relief that might be proposed would be long-term loans by the United States Treasury or by private investors for currency stabilization. The Bank for Reconstruction and Development, if it comes into existence in time, could foster such loans, not only by direct grants from its own gold capital but through its guarantees. International guaranteed loans for such purposes are not new. The League of Nations Loan to Austria after the last war, which guaranteed in severalty by a group of nations, is an example. But such loans are ineffective as a remedy for permanent currency stabilization, unless they restore an equilibrium in the balance of payments of the borrowing country. Otherwise, the gold proceeds are likely to revert to the very nations from which they were derived. A monetary stabilization loan, if it is to accomplish its purpose, should be granted only to a country that has, or will have, under normal conditions, a favorable balance of payments. Such a situation will not exist for a considerable period of time in most of the nations requiring a restoration of its metallic monetary reserve to stabilize their currencies, and, to them, stabilization loans, unless continuous, will mean merely temporary relief.

Another suggested remedy would be the acceptance of a large volume of merchandise imports from the gold impoverished countries.

This, the natural remedy under the perfect operation of economic laws, would involve difficulties that seem insurmountable. It would mean a drastic change of tariff policy and a disruption or distortion of our domestic economy. Politically it appears impossible of accomplishment, so it will not be further discussed here.

A further suggested move is that the United States price of gold here should be drastically lowered. By this lowering the purchasing power of our money, other nations, in competition with our home producers, could more readily export goods and services to us, and in this way drain off our excess gold. Here, again, we are brought face to face with economic and political stumbling blocks. We have had enough trouble from "tinkering with the currency," and it is not likely that the people of the nation will readily consent to a renewal of it.

Moreover, it should be remembered that the prohibiting, within a restricted limit, of the alteration of a domestic currency in relation to its gold parity is probably the most important provision to be found in the set-up of the International Monetary Fund. It would certainly be paradoxical for the prime supporter of monetary stabilization to resort to this procedure.

Another proposal along similar lines is that the United States Treasury should discontinue its gold buying policy, and, in this way check a further influx of gold here. This would enable new supplies to go to other countries which have a greater need for it. Embargoes on gold imports are not without examples in recent history. Sweden, during the last war resorted to it, and Switzerland has, from time to time, discouraged gold deposits from abroad. Moreover, there is likely to be a new flight of free gold from the devastated countries following the war, particularly if there is threat or danger of inflation, or, if laws are proposed or enacted prohibiting the hoarding of gold. This may not be serious, because of the general scarcity of free gold in the devastated countries, but it will be a factor in aiding further accumulation and retention of gold in the United States, as after the last war.

There are, indeed, some strong objections to the restriction of gold movements. To resort to such measures, would, in fact, nullify the prime purpose of the Bretton Woods agreements. It will be recalled that Great Britain was averse to the provision in the International Monetary Fund which requires a participating country to accept gold from the fund in settlement of credit balances, but such a provision was finally inserted, so that the institution of a gold import embargo would mean a violation of the constitution of the Fund.

The last and probably the most practical and effective proposal is one that requires no governmental or fiscal action at all. This amounts to nothing more than building up economic and political stability abroad through cap-

ital investment. American capitalists, as their English cousins did in the past, will have no hesitation in placing investments abroad, if they see opportunities for profit. The flow of capital, other things being equal, is generally toward fields which furnish the highest rate of return. This is an established economic law. But it can operate only when and where there is economic and political stability and security of property. The rebuilding of Europe and the redistribution of the gold supplies can be accomplished much more rapidly with the assistance of American capital and the application of sound American business and financial acumen. Certainly, there should be no political or economic objections to "normalizing" of our gold hoard by proper and judicious investments abroad.

There will arise, of course, the argument that we have tried all this after the last war with unfavorable and unpleasant results to ourselves. But the dark side of the picture of our experiences with investments abroad tend to be grossly exaggerated, whereas the favorable and beneficial aspects have been belittled. Nor were these loans, in the main, negotiated and distributed, as stated recently by Mr. Bernstein of the Treasury Department, through fraud and deceit. The errors and misjudgments were due in large part to the reckless rivalry, and greed, as well as to the inexperience of American bankers with foreign financing.

Many of the foreign loans which were issued in the United States should not have been distributed to the public as investments, but, instead, should have been carried directly by capitalists, who were capable of bearing the risks involved. They were not meant for widows and orphans. As stated by Dr. Amos E. Taylor, the Director of the United States Bureau of Foreign and Domestic Commerce, in a pamphlet issued by the Monetary Standards Inquiry a short time ago:

"It should not be assumed that after the war, the experiences in the American foreign investment of the Twenties will be repeated. Under conditions, short of sustained world prosperity and strongly established political order and world wide monetary stability it is possibly safe to expect that equity investments will provide the primary medium for international investment. So-called 'direct' investments imply the usual risks and do not exert the pressure on the exchanges under the unfavorable conditions as do obligations calling by contract for specific annual payments in currency to the creditor."

The export of capital has been, perhaps, the greatest factor in the expansion of international trade and economic development that the world has known in the last two centuries. It was largely by this means that our own great country was aided in the rapid development of its economic and financial resources. And it was mainly by export of capital that Great Britain became the world's financial center and a leading trading nation, and that, by the same means she was enabled to draw upon remote resources to carry on two destructive and expensive wars within a generation.

In the evolutionary process whereby the United States in the brief period of a quarter of a century has changed from a debtor nation to the leading creditor nation, it cannot be expected that the duties and responsibilities involved in this change can be abruptly set aside, and a policy of financial isolation and economic insulation readily substituted for it. If this nation is to maintain the leadership in international political and financial affairs which the Bretton Woods agreements have thrust upon it, we must either follow an altogether altruistic policy of unadulterated charity or we must help our neighbors by seeking at the same time to help ourselves. Our future foreign investments, therefore, should be made strictly on a business basis, and our own interests should be a prime consideration.

Differences Between Old League of Nations And United Nations Organizat'n Dumbarton Plan

The question as to what is to become of the old League of Nations with the creation of the proposed United Nations Organization—one of the objectives of the Dumbarton Oaks Conference—is cited in recent press accounts from Washington as one of the problems raised by the proposal of that Conference.

In dealing with the subject, special advices from Washington, Oct. 9, to the New York "Times" had the following to say:

During the war years the institution which failed to keep that peace has dropped from sight and small account has been given to the fact that it subsists juridically and actively with a membership of more than forty nations.

The political bodies of the League, the Council and the Assembly have not met since the war, but all the other League departments, including the International Labor Office and the World Court of Justice, in which the United States is represented, are actually functioning either at regular headquarters or in temporary offices established in other parts of the world.

The destiny of the old League is probably to become merged with the proposed new organization, but if legality is to be maintained and proper use made of all the League of Nations services, the mere fact of the League's existence offers many problems for the nations to solve.

What is to become of the League of Nations building in Geneva and the Court of Justice in The Hague? How can the powers conferred on the League by several hundred treaties be transmitted? What is to become of a corps of experienced workers and administrators which the League assembled? And what of their pensions?

Such questions, in the opinion of jurists, will require a meeting of the old League governing bodies, if only to liquidate the organization and transfer its powers.

According to a recent survey, the situation of the Geneva League of Nations and its activities is as follows:

The Palace of the Nations has been kept open, under the direction of Sean Lester of the Irish Free State, the secretary-general. The marvelously decorated assembly rooms and other parts of the buildings were closed and many of the personnel released. A force of about 80 persons was kept on duty.

One of the wartime efforts of the League has been the Health Section, which has obtained much information on conditions prevailing in the European countries. This has been put at the disposal of the United Nations Relief and Rehabilitation Administration, and in general League services have been cooperating with the various Allied agencies. In return, League officials have been invited as observers to the different UNRRA conferences. The League Health Section is preparing to open a bureau in the Far East.

Employees of the International Labor Office were transferred from Geneva to Montreal, where more than 100 persons were installed under the auspices of McGill University. Conferences of this body, the only League organization in which the United States is a full participating member, have been called in New York and recently in Philadelphia.

Another of the League sections that has migrated is the Anti-Drug Commission, which is established in Washington.

Members of the economic and financial section of the League left Geneva in 1940 and set up temporary headquarters for their work at Princeton University.

The magnificent World Court of Justice Building in The Hague stands vacant except for representatives to preserve the title and existence of the court. But the court is legally still in being and its justices are subject to call.

Most of the League's 40 members are continuing to pay their dues. Most of the occupied countries have made token payments.

With a budget reduced from some 32,000,000 francs to less than 14,000,000, the League of Nations manages to meet financial obligations and, despite its apparent eclipse, remains legally and otherwise a going concern.

In answer to the question as to how the new proposed world organization differs from the old League of Nations, United Press advices from Washington, as given in the Milwaukee "Journal" of Oct. 15 presented the following outline of major differences as cited by a student of both organizations:

1. The League was empowered to deal only with acts of aggression or war; the new organization could act "where threats to or breaches of the peace are involved."

2. Both the Assembly and the Council of the League had similar powers for dealing with matters affecting world peace; the new organization places that responsibility with the Security Council alone, allowing the Assembly only to discuss such issues.

3. The League covenant said it did not affect "regional understandings," like the Monroe Doctrine, for securing the maintenance of peace; the new organization could decide whether such regional arrangements were consistent with it and would require Security Council authorization before enforcement action could be taken under such arrangements.

4. The new organization would place two obligations with respect to armed forces "not explicitly recognized under the League." The obligations are "to make available forces, facilities and assistance necessary to the Security Council in maintaining peace and to hold immediately available national air force contingents for combined international enforcement action."

5. The League Assembly and Council had similar functions with respect to economic and social questions; the new organization assigns responsibility for those fields to the Assembly and would create under the Assembly a special 18-nation economic and social council.

6. The League Covenant required unanimous vote on important issues and at times there were 60 members of the Assembly. The unanimity rule "would not be applied in the new organization, except in restricted categories of cases, yet to be completely defined, where unanimity of the permanent members (five) of the Security Council would be necessary."

7. The League had only one Council to handle all matters; the new one would have a Security Council and an Economic and Social Council.

8. The Permanent Court of International Justice was only related to the League; the new court would be one of the organization's principal organs.

9. The new organization would have a military staff committee, comprised of the chiefs of staff of the Permanent Security Council members. The League had nothing of this sort.

10. The six non-permanent members of the new Council would not be eligible immediately for reelection; under the League, there developed semi-permanent seats since once a nation got on the Council there was no way of getting her off.

11. The League admitted new members by action of the Assembly only; the new organization would also require recommendation of the Security Council.

12. The League said nothing about behavior of nonmember States; the new organization could take steps to ensure that nonmembers acted in accordance with the new charter "so far as might be necessary for the maintenance of international peace and security."

13. The new organization would suspend the rights and privileges of a member against which preventive or enforcement action is taken, a provision not included in the League covenant.

14. The charter of the new organization would be an independent instrument, unlike the League covenant, which was part of the Treaty of Versailles.

The text of the Dumbarton Oaks tentative proposals to maintain peace was given in our Oct. 12 issue, page 1611.

ABA 14th Mid-Continent Trust Conference To Be Held in Chicago Nov. 9 and 10

Post-war taxes, trust investments, pension trusts, and returning veterans will feature the program announced on Oct. 24 for the 14th Mid-Continent Trust Conference to be held in Chicago at The Drake Hotel, Thursday and Friday, Nov. 9 and 10, W. Randolph Burgess, President of the American Bankers Association and Vice-Chairman of the Board of The National City Bank of New York, will be the featured speaker on the second day's program. On Thursday evening the guest speaker for the annual dinner will be Dr. Walter H. Judd, Congressman of the Fifth District, Minneapolis, Minn., who spent many years in China as a medical missionary. The conference will be held under the auspices of the Trust Division of the American Bankers Association, and the Corporate Fiduciaries Association of Chicago will act as host.

The conference territory includes the following States: Arkansas, Colorado, Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, Oklahoma, South Dakota, Tennessee, Texas, and Wisconsin.

Frederick A Carroll, President of the Trust Division, and Vice-President of the National Shawmut Bank of Boston, Mass., has announced the following program:

Thursday morning, Nov. 9: Remarks of welcome, Mark W. Lowell, President, Corporate Fiduciaries Association of Chicago and Vice-President, Continental Illinois National Bank and Trust Co. of Chicago. Address of the President, Frederick A. Carroll, President, Trust Division, and Vice-President and Trust Officer, The National Shawmut Bank of Boston, Mass. "The Post-War Trust Dollar — and Common Trust Funds," Albert W. Whittlesey, Trust Officer, The Pennsylvania Co. for Insurances on Lives and Granting Annuities, Philadelphia, Pa. "Post-War Taxes," G. Sidney Houston, Manager, Investment Research Department, First Bank Stock Corp., St. Paul and Minneapolis, Minn.

Thursday afternoon, Nov. 9: Presiding, Roy C. Osgood, Vice-President, The First National Bank of Chicago, Chicago. "Interest Rates and Government Bonds," Dr. James Dolley, Director of Research and Statistics, Federal Reserve Bank, Dallas, Texas. "Outlook for Common Stocks as Trust Investments," Roland C. Behrens, Vice-President, St. Louis Union Trust Co., St. Louis, Mo. "Technological Developments of the War and Their Effect on Post-War Industries," Harold Vagtborg, Director, Armour Research Foundation, Chicago, Ill.

Friday morning, Nov. 10: Presiding, James W. Allison, Vice-President, Trust Division, and Vice-President, Equitable Trust Co., Wilmington, Del. "The Life Insurance-Trust Team," N. Baxter Maddox, Vice-President and Trust Officer, The First National Bank, Atlanta, Ga. "Thirty Years Back and a Look Ahead in Trust Administration," Clarence E. Drake, Vice-President and Trust Officer, Northwestern National Bank of Minneapolis. "Post-War Problems and Opportunities for Smaller Trust Departments," Earl H. Cress, President, Ann Arbor Trust Co., Ann Arbor, Mich. "Expanding Horizons for the Trust Business," H. M. Bardt, Vice-President and Trust Officer, Bank of America National Trust and Savings Association, Los Angeles, Calif.

Friday afternoon, Nov. 10: Presiding, Evans Woollen, Jr., Chairman, Executive Committee, Trust Division, and President, Fletcher Trust Co., Indianapolis, Ind. "The Veterans' Place in Your Institution," William Powers, Director, ABA, in charge of Customer and Personnel Relations. "Tax Problems of Pension and Profit-Sharing Trusts," Dudley F. Jessopp, of Kirkland, Fleming, Green, Martin & Ellis, Chicago, Ill. "Banks in the Service of the Nation," W. Randolph Burgess, President, ABA and Vice-Chairman of Board, National City Bank of New York.

R. I. Bankers Plan to Help Small Business

At a special meeting on Oct. 25 of the Rhode Island Bankers Association, a plan recommended by the Association's Small Business Committee to insure small business of the area that all requests for post-war reconversion or expansion loans will be given consideration, was unanimously accepted.

The Providence "Journal" of Oct. 26 in reporting this said:

"Under the plan, every loan application made by small business to any commercial bank in Rhode Island, in the event the bank where application is made does not wish to grant the loan itself, will, with the applicant's approval, be referred to a committee on which every commercial bank of the State will have representation."

The committee which submitted the plan is headed by Rupert C. Thompson, Jr., President of the Providence National Bank, said the paper from which we quote, in which it was also stated:

"By thus making available for small business needs all the resources of the commercial banks of the State, T. Dawson Brown, President of the Association, said yesterday, the banks will insure that all loans, which individual banks, for one reason or another, may feel they cannot handle, will be considered on a cooperative basis if the applicant so requests."

In addition to Mr. Thompson, the Small Business Credit Committee which submitted the plan, includes the following bankers:

Arthur L. Perry, President of the Washington Trust Company, Westerly; James W. Thompson, President of the Aquidneck National Bank, Newport; Ralph S. Richards, Vice-President of the Rhode Island Hospital National Bank; Walter F. Farrell, President of the Union Trust Company; George W. Holt Jr., Treasurer of the Lincoln Trust Company; William E. LaFond, President of the Woonsocket Trust Company, and Howard E. Gladding, Executive Vice-President of the Morris Plan Bank of Rhode Island.

Post-War Taxes

(Continued from first page)

cated problem. On the basis of an acquaintance with a great many members of both Houses of Congress, I do not hesitate to say that the level of statesmanship in those bodies is higher today than it has been in a great many years.

Sound Tax Program Essential

Congress is, as I say, fully aware of the realities that confront us as we prepare to shift from a war-time to a peace-time basis. Members of both of our major political parties appreciate the fact that if we are to provide employment for our people after the war is over, business must be encouraged to expand and to prosper. They appreciate that the development of a sound tax program is essential if we are to have that degree of national prosperity after the war has been won, which will assure employment for all. As I say, I happen to be quite optimistic over the prospect for the development of such a program. Many able men in Congress are addressing themselves, intelligently and conscientiously, in that direction.

There are certain basic considerations which I am confident the Congress will keep uppermost in mind in working out constructive tax legislation.

Congress realizes, first, that the perpetuation of our democratic form of government requires the preservation of the system of private capital.

Congress also realizes that subsidies and all forms of capital grant by the Government lead inevitably to Federal control and to the extension of bureaucracy.

Congress is aware of the fact that a virile and healthy capitalistic system in the post-war period must rest upon a reasonable balance of the Federal budget as soon as possible, upon the ready availability of credit and upon an abundance of venture capital. This, briefly, is the tax philosophy which we may expect Congress to apply in the enactment of the post-war tax legislation.

There have been periods, and in the recent past, when a tax philosophy was applied that was not conducive to our national well-being.

You may ask: "What tax philosophy dictated, in the main, the writing of the Revenue Acts from 1934 to 1940?" "What tax philosophy prevailed as in the case of the Revenue Acts of 1942 and 1943?"

I will dispense with the first question by stating merely that, obviously, reform was the predominant consideration. The record from 1934 to 1940 is full of inconsistencies. The influence of the Administration with Congress cast the Treasury Department in the role of dictating the most pronounced reform measures in taxation in our history. This condition can be understood in our democracy if we recognize the coalition of farmer and labor following the depression, perpetuated through subsidy and capital grants, all of this resulting in a colossal bureaucracy.

The Revenue Act of 1942, as but slightly modified by the Revenue Act of 1943, I regard as one of the soundest tax documents ever enacted by Congress. The tax philosophy which governed the writing of this legislation was the result of two developments—a movement to the right politically, and the impact of a global war. Congress became increasingly aware of the burning out of the former philosophy in Government as early as 1940 when that great balance of power between farmer and labor began to reassert itself.

The farmer, who loves his independence, felt the pinch of regimentation and control at a time when he began to experience a satisfactory seller's market for his commodities. I emphasize the significance of the fact that the great balance of power between farmer and labor, which makes this country the greatest democracy in the world, has reasserted itself. Those cardinal points which must and, I believe, will serve as the basis for constructive tax legislation—the fostering of private enterprise; the stamping out, within reason, of government subsidies and government capital grants; and a recognition of our credit and venture capital requirements—dominated the tax hearings that preceded the formulation of the 1942 legislation.

I know you are familiar with the machinery that functions in the writing of our tax laws. However, I am going to describe this process briefly, as I think it is important.

Procedure Outlined

Congress, in the final analysis, is charged with enactment of all revenue legislation; the President has the power of approval or veto. The Ways and Means Committee of the House of Representatives is vested with the authority and responsibility of originating our tax laws. This important committee is composed of twenty-five members, fifteen representing the majority party and ten the minority. At present, with the Democratic Party in control, Congressman Robert L. Doughton, of North Carolina, is chairman; Mr. Harold Knutson, Republican, of Minnesota, is the acting Republican leader, due to the illness and retirement of Congressman Treadway of Massachusetts. This committee is also the Committee of Committees of the House and, as such, is vested with authority to appoint members to the standing committees of that branch of Congress. It is well to bear this point in mind, for, obviously, appointments are made to the Ways and Means Committee by the leadership in the House through a caucus of the two parties, with some thought given to controlling appointments to the various committees of the Congress. The most important function of this majority committee is to originate our federal revenue legislation.

The Finance Committee of the Senate exercises a similar prerogative in that branch of Congress; but, as previously stated, it falls to the Ways and Means Committee to originate all revenue acts. The Finance Committee is composed of twenty-one members, fourteen of whom represent the majority party and seven the minority party. As in the case of the Ways and Means Committee, the Democrats are presently in control of the Finance Committee. Senator Walter F. George of Georgia is chairman, while Senator LaFollette of Wisconsin is the senior ranking Republican.

To facilitate the cooperation of these two committees of the Congress, a Joint Committee on Internal Revenue Taxation has been created. Senator George is chairman and Mr. Doughton is vice-chairman. To this committee there are appointed by the respective committees of each House five members, three from the majority party and two from the minority party. The ranking members are usually designated. This group merely functions mechanically in the setting up of machinery to facilitate the efforts of the two committees of the Congress. For example, the Joint Committee is provided with a technical staff which serves both the Ways and Means and the Finance Committees. Mr. Colin F. Stam is now Chief of that staff and he has associated with him eleven experts, serving in a technical capacity.

Divergent Interests

The background of the membership of the two tax committees is interesting. It has been my privilege to know many of the members rather intimately. I will refrain from indulging in personalities except to say that of the membership of the Ways and Means Committee I regard twelve members as primarily interested in agriculture, four in industry and commerce, two in mining, while three represent congressional districts that are strongly labor. Being a farmer myself, I keenly appreciate the conservative background of the twelve men who seem to hold agriculture as their foremost interest. A combination of agricultural interests with mining, commerce, shipping and banking interests has left the exponents of labor—may I say the extreme left wing of labor—in the minority. Also the Committee membership has changed somewhat from time to time. I believe this makeup largely explains why the Ways and Means Committee acted conservatively and constructively in writing our wartime tax bills of 1942 and 1943.

The Finance Committee of the Senate is equally interesting from the point of view of its makeup. Here again the membership seems heavily weighted with representation from agriculture, industry, and mining: nine in agriculture, five in industry, and three in mining for a total of seventeen out of twenty-one. Labor is completely in the minority.

The incoming Congress may change, to some extent, the complexion of these two Committees. However, the political trend in this country is such that we may be sure of a continuation of the policies followed in the last two or three years.

Tax Revision Studied

That the present Congress recognizes the need for a broad revision of our tax structure in the coming months is evidenced by the fact that, as early as May of this year, Mr. Doughton and Senator George directed their technical staff to undertake studies to this end. Mr. Stam, head of this staff, has been working on these studies since May and has invited the cooperation of interested persons and groups.

Mr. Stam and his staff, in addition to their own research, have been conducting hearings and special conferences, seeking a solution to the knotty tax problem that is, for the present, in their lap. I understand their report will be ready for presentation to the two committees of the Congress by mid-November, and doubtless the report will be accompanied by appropriate recommendations. I would like to add that those of us who have been interested in taxation have always found the Technical Staff most willing to listen. They have given every evidence of seeking the truth in an honest endeavor to distribute the tax burden equitably. Naturally, there must arise honest differences of opinion, because, unfortunately, there is no scientific solution of this problem.

It is the function of the Treasury Department to advise with and make suggestions to the Ways and Means Committee and the Finance Committee. It is not the prerogative of the Treasury to recommend to the Congress. This fine distinction was violated in the '30s. Since 1940, however, Congress has again assumed the responsibility vested in it by the Constitution and that is why we have reason to be hopeful. The Treasury can, through ill-advised action, cause confusion to exist, even in the minds of well-thinking people. I might add that it often has done so. The Treasury has in its possession invaluable information of an economic and statistical character which makes this Department important in the tax field. But I should like to stress the fact that the Treasury, fortunately, is no longer influential with Congress.

The Treasury should be primarily interested, of course, in revenue, for in the development of a well-rounded Federal fiscal policy, in protecting the credit of our Government, the Treasury plays an important part in projecting our budgetary requirements.

I understand that Mr. Doughton proposes to call the Ways and Means Committee into session the middle of November to receive the report of the Technical Staff, as I said before, and I believe that public hearings will be opened shortly thereafter. At these public hearings testimony will be taken. From the great amount of work that has been done, independent of the Congress, I assume the hearings will be rather extensive.

As I view the several plans submitted to date, it seems to me that there are two major points of view: (1) Should we tax the corporation heavily and relieve the individual, or (2) should we tax the corporation lightly, encouraging approximately a 70% disbursement of earnings, and leave the individual rather heavily taxed?

Encourage Risk Capital

I believe the emphasis revolves around risk, or venture capital in making this decision. The evolution of modern industry, in large part, is the story of risk or venture capital. It seems strange that in the vast field of economic and financial literature no one has defined these terms precisely. One may suggest what is meant by risk or venture capital, by indirection, by piecing together fragments of discussions under such topics as "profits," "entrepreneurs," and "investments." It is even stranger that today, when both of our major political parties, as well as representatives of labor and industry, are agreed on the need of encouraging the flow of risk capital in the post-war period, the term has not been defined. If such a definition had only an academic interest, we could dispense with the need of explanation; but I have found that precise terminology is a real aid to clear thinking. Not only that, but Congress will need to distinguish very clearly when it frames the new tax legislation.

What I call risk capital receives the full impact of mistakes and losses, whatever the reasons may be; risk capital is on the front line of the business world. And the casualties are too high. In return, risk capital assumes responsibility for the management and direction of the enterprise and is entitled, theoretically at least, to unlimited profits. But, directly and indirectly, whether the enterprise be a corporation or any other form of business organization, society has, in the form of taxes, placed limits upon the rights to unlimited profits. It is only when such taxes bear inequitably on the risk-assumer and stifles initiative that one may rightfully complain.

Basic Considerations

Risk capital, as we know, is interlocked with the employment problem. As we emerge from the war in Europe and set our sights beyond the defeat of the Japanese at the earliest possible date, we must again think in terms of employment for our people. Those willing to work are entitled to jobs and no single factor can play as important a rule in the making of jobs as sound post-war taxation. I do not exaggerate when I say that the Revenue Acts of 1945 and 1946 can make or break the economic and financial backbone of this nation. I would like to state the basic considerations which will, in my judgment, form the foundation for this important legislation:

1. The preservation of the nation's credit;
2. The stimulation of sources of taxable income;
3. The encouragement of the flow of risk capital.

Approaching the question of tax revision from this starting point, certain modifications in the existing structure appear logical, practical and, may I add, politically feasible. Revisions should be thought of in two phases: First, those measures necessary to meet the requirements of the transition period and, second, the development of a post-war tax structure consistent with the broad objectives stated.

I firmly believe that the country can anticipate sound and intelligent action on the part of Congress in the writing of post-war tax legislation.

Translation of French Decree on Gold, Etc.

A translation of a French decree which appeared in the "Journal Officiel", as of Oct. 9, "relative to the regulations applying to gold, foreign exchange, foreign securities and other assimilated holdings," was made available on Oct. 27 by the Foreign Exchange Committee which, however, points out that neither the Committee nor any individual member thereof assumes any responsibility as to the accuracy of the translation.

The translation, emanating from the French Press and Information Service, an agency of the provisional government of the French Republic follows:

"Paris, Oct. 11, 1944. Received in New York Oct. 12, 1944.

"The Journal Officiel (Official Journal) of Oct. 9 publishes 2 decrees relative to the regulations applying to gold, foreign exchange, foreign securities and other assimilated holdings.

"Every holder of gold coin or gold bullion is held to deposit same within a period of 2 months at the Bank of France or at establishments acting for their account. All transfers of gold, with or without payment thereof, all gold movements are forbidden except with special authorization from the Bank of France. Jewels in good condition, objects of art or collections are exempt from this measure. Likewise, all holders of foreign personal properties or of assimilated holdings, i. e., securities made out in foreign currency or belonging to French companies whose principal exploitation is abroad, are held to deposit same in the authorized bank or with a member of the stock exchange or an official registered broker of his own choice within a period of 2 months. These securities can be negotiated under the conditions governing the decree of foreign exchange. Finally, holders of foreign currencies and drafts issued in foreign exchange are obliged to deposit same immediately with an intermediary approved by the Minister of Finance. For violations hereof, these orders provide in addition to penal sanctions, obligatory confiscation of the properties seized."

"(Minister of Information, Paris, Cable No. 2281.)"

H. P. Fulmer Dead

Representative Hampton Pitts Fulmer of South Carolina, Democrat, and chairman of the House Agricultural Committee, died on Oct. 19 at the age of 69 years. Mr. Fulmer's death ended a Congressional career of more than 23 years. United Press Washington advices in reporting his death also said:

"Mr. Fulmer, author of the controversial Agriculture Adjustment Act, which was subsequently outlawed by the Supreme Court, was stricken in the corridor of his apartment near the Capitol Building."

Non-Ferrous Metals—November Lead Sales to Exceed 70,000 Tons — Quicksilver Price Rises

"E. & M. J. Metal and Mineral Markets," in its issue of Nov. 2, stated: "Lead sales were substantial during the last week. Producers believe that consumption of the metal will continue at a high rate for some time to come. Estimates on November lead requirements have been revised upward. Lead consumers have been disposed to increase their inventory position, whereas the reverse applied to copper and zinc. Demand for cadmium continues active. Quicksilver again provided a price change, the market advancing on evidence that consumption remains well in excess of current production. The price might have advanced sharply if sellers had not discouraged speculatively inclined customers." The publication further went on to say in part:

Copper

Restrictions on the use of copper were eased by WPB on a number of items during the last week. So far, no important tonnage business has been involved in revisions made in the conservation measures. The industry estimates that fully 85% of current consumption of copper is moving into war and essential civilian products Consumption of copper for October and November is expected to average around 125,000 tons a month. The stockpile has increased to approximately 323,000 tons.

Production of selenium in Canada from copper-nickel ores, according to the Dominion Bureau of Statistics:

	Pounds	Value
1939	126,930	$224,539
1940	136,350	260,429
1941	142,408	272,171
1942	76,000	145,920
1943	82,000	143,500

Lead

As October ended it became clear to producers that the total volume of business in lead booked for November was larger than first estimated. The industry now belives that consumers purchased between 70,000 and 80,000 tons for delivery in the current month. Part of this large tonnage may be used in building up inventories, for consumers apparently anticipate a healthy demand for lead products in the postwar period. Foreign origin metal, brought into the country in bond, is expected to figure in export transactions involving manufactures of lead after V-E Day.

December business came through in good volume last week, which was reflected in sales for the seven-day period of 7,732 tons. This compares with 2,618 tons in the preceding week.

Lead stocks at United States smelters and refineries on Oct. 1 totaled 129,497 tons, against 129,827 tons a month previous and 130,617 tons a year ago, the American Bureau of Metal Statistics reports. The total is made up of 82,287 tons in ore and in process at smelters; 23,299 tons in base bullion at smelters and refineries, in transit, and in process at refineries; 18,671 tons of refined lead; and 5,240 tons of antimonial lead.

Receipts Of Lead In Ore

Receipts of lead in ore and scrap by primary smelters and refiners, according to the American Bureau of Metal Statistics, in tons:

	Aug.	Sept.
In ore:		
Domestic	34,873	31,266
Foreign	8,717	10,674
	43,590	41,940
*In scrap	3,999	4,854
Totals	47,589	46,794

*Only scrap smelted in connection with ore, plus some scrap received by primary refiners.

Zinc

Use of zinc has increased since July, and the current rate of consumption probably amounts to slightly more than 70,000 tons a month. Sales have been holding at around 65,000 tons a month, indicating that consumers have been reducing their inventories. Most producers believe that the Government's stockpile of zinc increased during the last month, even though production has been on a reduced scale as a result of manpower shortages.

Easing of conservation measures by WPB has not yet brought out important tonnage business from producers serving the civilian market for zinc products. The tight situation in steel continues to retard galvanizing.

Tin

Combined government and private stocks of tin are expected to decrease to about 113,000 tons before the end of the year, according to WPB officials. Postwar demands for tin will impose a severe strain upon available supplies, Erwin Vogelsang, head of tin operations for WPB, contends, because production from Malaya, the Netherlands East Indies, and Siam will not become a factor until plants and other facilities in those areas have been rebuilt. Control of tin supplies will be necessary for a period to avoid chaotic conditions.

The present capacity of the Texas tin smelter is between 70,000 and 90,000 tons per year, depending on the grade of ore available. From present indications, production at the smelter is not expected to ever attain a rate of 100%.

Quotations in the domestic market remained unchanged. Straits quality tin for shipment, in cents per pound, was as follows:

	Nov.	Dec.	Jan.
Oct. 26	52.000	52.000	52.000
Oct. 27	52.000	52.000	52.000
Oct. 28	52.000	52.000	52.000
Oct. 30	52.000	52.000	52.000
Oct. 31	52.000	52.000	52.000
Nov. 1	52.000	52.000	52.000

Chinese, or 99% tin, continued at 51.125c. per pound.

Quicksilver

Except for the fact that some sellers released quicksilver to their customers at only a slight advance in prices, the market during the last week would have moved sharply higher, according to trade opinion. Buyers were interested in obtaining metal for delivery over the next month and paid from $113 to $115 per flask. In some directions as high as $117 was asked on small lots. On forward metal prices were largely nominal, as buyers showed little interest in December forward business. Demand for mercurials is expected to drop after V-E Day.

Silver

The London silver market was quiet and unchanged at 23½d. The New York Official for foreign silver continued at 44¾c., with domestic silver at 70⅝c.

Production of silver in Canada during August amounted to 830,189 oz., against 1,071,550 oz. in July this year and 1,298,765 oz. in August last year. Production for the first eight months of 1944 totaled 9,167,065 oz.; against 12,249,794 oz. in the Jan.-Aug. period of 1943, the Dominion Bureau of Statistics reports.

Production of Lead in Canada

Production of unrefined lead (mine output) and refined lead in Canada during 1943 and the first eight months of 1944, in pounds, according to the Dominion Bureau of Statistics, follows:

	Unrefined		Refined	
	*1944	1943	*1944	1943
January	32,710,839	38,604,106	27,336,000	42,781,098
February	29,753,989	38,807,636	26,306,000	40,195,154
March	24,264,103	46,936,027	29,276,000	44,270,768
April	25,270,297	36,773,575	22,866,000	42,148,088
May	20,491,362	40,601,268	25,354,000	42,247,932
June	19,744,120	39,579,471	18,870,000	35,756,084
July	24,523,164	36,100,126	20,836,000	35,344,727
August	18,319,445	32,113,307	23,160,000	33,082,265
September	-------	32,884,233	-------	28,908,791
October	-------	35,272,574	-------	30,564,202
November	-------	34,635,657	-------	34,751,654
December	-------	31,752,789	-------	38,935,112
Totals, calendar year		444,060,769		448,985,863
Totals, eight months	195,077,319	309,515,516	194,004,000	315,826,104

*Subject to revision.

Roosevelt Warns Against Creating "Blocks Of Closed Air" Leading to Future Wars

That "the rebuilding of peace means re-opening the lines of communication and peaceful relationship" was the assertion made by President Roosevelt in a message welcoming the delegates of the 51 Nations represented at the International Civil Aviation Conference, which opened at Chicago on Nov. 1. "Air Transport," the President went on to say, "will be the first available means by which we can start to heal the wounds of war, and put the world once more on a peaceful basis." The President's message was read by Adolf A. Berle, Jr., Chairman of the United States delegation and temporary President of the conference, the largest and, in subject matter, it was noted by the Associated Press, the broadest in aviation history.

The President expressed the hope in his message that "you will not dally with the thought of creating great blocks of closed air, thereby tracing in the sky the conditions of possible future wars." "I know," he added, "you will see to it that the air which God gave to everyone shall not become the means of domination over anyone."

Pointing out that "increasingly the airplanes will be in existence," the President stated that "when either the German or the Japanese enemy is defeated, transport planes should be available for release from military work in numbers sufficient to make a beginning. When both enemies have been defeated they should be available in quantity. Every country has airports and trained pilots; and practically every country knows how to organize airlines."

In calling for action to make the air a world ocean of peaceful commerce the President, it was observed by the Associated Press, backed his plea with a strong implication that the United States would supply aircraft for all when planes are freed from war traffic. From the Associated Press we also quote:

"The significance of the President's statement about aircraft was said to be in the fact that today no other country except the United States is building airplanes capable of carrying world commercial traffic. The United States has been supplying transports for military routes for all the United Nations, and it would be difficult for other countries to fly international routes for some time without the use of American planes."

In opening the meeting, Mr. Berle told the hundreds of delegates that their task was to find a working basis for "making the air serviceable to mankind and thereby to open the highways of friendship, of commerce and of thought." He recalled that the Versailles Peace Conference had not regarded aerial navigation as a subject for consideration and, according to the Associated Press, he said the United States intended to state the substance of its thesis for a world air plan today.

The following is the President's message to the conference:

On behalf of the United States I offer a hearty welcome to the delegations of the 51 nations represented at this international conference on civil aviation. You were called to undertake a task of the highest importance. I am sure that you will succeed.

The progress of the armies, navies, and air forces of the United Nations has already opened great areas to peaceful intercourse which had been closed for more than four black years. We can soberly hope that all Europe will be reclaimed for civilization before many months have passed.

Steadily the great areas of the Pacific are likewise being freed from Japanese occupation. In due time, the Continent of Asia will be opened again to the friendly intercourse of the world.

The rebuilding of peace means reopening the lines of communication and peaceful relationship. Air transport will be the first available means by which we can start to heal the wounds of war and put the world once more on a peaceful basis.

You will recall that after the first World War a conference was held and a convention adopted designed to open Europe to air traffic; but under the arrangements then made, years of discussion were needed before air routes could actually be flown. At that time, however, air commerce was in its infancy. Now it has reached maturity and is a pressing necessity. I do not believe that the world of today can afford to wait for several years for its air communications. There is no reason why it should.

Increasingly the airplanes will be in existence. When either the German or the Japanese enemy is defeated, transport planes should be available for release from military work in numbers sufficient to make a beginning. When both enemies have been defeated they should be available in quantity. Every country has airports and trained pilots; and practically every country knows how to organize airlines.

It would be a reflection on the common sense of nations if they were not able to make arrangements, at least on a provisional basis, making possible the opening of the much - needed air routes. I hope, when your conference adjourns, that these arrangements will have been made. Then all that will be needed will be to start using the air as a great peaceful medium instead of a battle area.

You are fortunate in having before you one of the great lessons of history. Some centuries ago an attempt was made to build great empires based on domination of great sea areas. The lords of these areas tried to close these seas to some and offer access to others and thereby to enrich themselves and extend their power. This led directly to a number of wars, both in the eastern and western hemispheres. We do not need to make that mistake again.

I hope you will not dally with the thought of creating great blocks of closed air, thereby tracing in the sky the conditions of possible future wars. I know you will see to it that the air which God gave to everyone shall not become the means of domination over anyone.

As we begin to write a new chapter in the fundamental law of the air let us all remember that we are engaged in a great attempt to build enduring institutions of peace. These peace settlements cannot be endangered by petty considerations or weakened by groundless fears. Rather, with full recognition of the sovereignty and juridical equality of all nations, let us work together so that the air may be used by humanity to service humanity.

Rutherford Aide to Secretary of AIB

Appointment of Robert C. Rutherford as assistant to the Secretary of the American Institute of Banking was announced on Oct. 30 by Dr. Harold Stonier, Executive Manager of the American Bankers Association. Mr. Rutherford has been Executive Secretary of the Minneapolis, Minn., chapter of the AIB and will fill the post at national headquarters left vacant by the resignation of Robert Hammer, who has accepted a position with the Indiana State Chamber of Commerce. Mr. Rutherford initially will devote a major portion of his activities to promoting chapter participation in the Job Relations Training program which will be soon inaugurated by the AIB under the leadership of William Powers, Deputy Manager of the Association and its director of customer and personnel relations. This training course has been adapted to meet the needs of members of bank staffs, from the industrial job relations training used successfully in war expanded factories.

From 1919 to 1923 Mr. Rutherford was employed in Manitoba branches of the Union Bank of Canada. In April, 1923, he became associated with the First National Bank of Minneapolis, and was employed there in various capacities for 14 years, until 1937, when he resigned to become Executive Secretary for the Minneapolis Chapter. He was awarded the Standard Certificate of the AIB in 1928 and later received two special graduate certificates. He served on the National Debate Committee in 1930 and was chairman of the Committee in 1931. In 1937, at the Institute's annual convention, he won fourth place in the National Public Speaking Contest for the A. P. Giannini Educational Endowment prizes. In Minneapolis, he served on the AIB Educational Committee of the Minnesota Bankers Association for seven years and was Chairman of the committee three times.

Xmas Club Savings Going Into War Bonds

Commenting upon record Christmas Club deposits President Isac W. Roberts of the National Association of Mutual Savings Banks and President of The Philadelphia Saving Fund Society, made the remark on Nov. 4 that, "The fact that mutual savings bank depositors have been able to accumulate something more than $86,000,000 of Christmas Club deposits in the year now drawing to a close demonstrates our national instinct for thrift. Of course, all of us know these funds, acquired during the year, largely were intended for gifts to others, but it is a special token to the nation that considerable part of this money will be invested in national welfare—War Savings Bonds."

The announcement from the Association says:

"Christmas Club owners in mutual savings banks of 17 States will have $4.66 more at their command this year than in 1943, the average being $63.72 per account. Total number of such accounts in the country increased about 150,000 from 1943, to a total of 1,361,272. All mutual Christmas Clubs in 1944 will be $86,735,805.

"New York ranked first in its mutual savings bank Christmas Clubs, having deposits of $32,416,606 and 496,217 depositors. Massachusetts was second with $21,994,555 deposits and 380,593 depositors. Connecticut followed with $11,909,659 deposits and 177,393 depositors."

Moody's Bond Prices And Bond Yield Averages

Moody's computed bond prices and bond yield averages are given in the following table.

MOODY'S BOND PRICES†
(Based on Average Yields)

1944— Daily Averages	U. S. Govt. Bonds	Avge. Corpo- rate*	Corporate by Ratings* Aaa	Aa	A	Baa	Corporate by Groups* R. R.	P. U.	Indus.
Nov. 7	Stock Exchange Closed								
6	119.67	112.56	118.40	116.80	112.93	103.30	107.62	113.31	117.20
4	119.55	112.75	118.40	116.80	112.93	103.47	107.62	113.31	117.20
3	119.55	112.75	118.40	116.80	112.93	103.47	107.62	113.31	117.20
2	119.55	112.56	118.40	116.80	112.93	103.30	107.44	113.31	117.20
1	119.55	112.56	118.40	116.80	112.93	103.30	107.62	113.31	117.20
Oct. 27	119.33	112.56	118.40	116.61	112.93	103.47	107.62	113.50	117.20
20	119.55	112.75	118.60	116.80	112.93	103.64	107.44	113.50	117.40
13	119.61	112.75	118.60	117.00	112.93	103.47	107.27	114.08	117.20
6	119.52	112.75	118.60	117.00	112.75	103.30	106.92	114.08	117.20
Sep. 29	119.50	112.56	118.60	116.80	112.56	103.13	106.74	114.08	117.00
22	119.22	112.56	118.60	117.20	112.37	103.13	106.74	114.08	117.20
15	119.42	112.56	118.80	117.20	112.19	103.13	106.74	114.27	117.20
8	119.48	112.56	118.80	117.20	112.00	103.13	106.74	114.27	117.00
1	119.81	112.56	118.80	117.20	112.00	103.13	106.74	114.27	117.20
Aug. 25	119.89	112.75	118.80	117.40	112.19	103.30	106.74	114.27	117.20
18	119.84	112.56	118.60	117.20	112.37	103.30	106.92	114.08	117.20
11	119.84	112.56	118.60	117.00	112.37	103.30	106.92	114.08	117.20
4	120.08	112.56	118.80	117.00	112.19	103.30	106.74	114.08	117.20
July 28	120.10	112.37	118.60	116.80	112.19	103.13	106.56	114.27	117.00
June 30	120.15	112.37	118.60	116.80	112.00	102.80	106.04	113.89	117.40
May 26	119.66	112.19	118.40	116.80	111.81	102.30	105.86	113.89	117.00
Apr. 28	119.35	111.81	118.40	116.61	111.62	101.47	105.34	113.70	116.41
Mar. 31	119.68	111.44	118.20	116.41	111.25	100.81	104.66	113.70	116.22
Feb. 25	120.21	111.25	118.20	116.41	111.07	100.32	104.31	113.50	116.22
Jan. 28	119.47	111.07	118.20	116.22	111.07	100.16	104.14	113.31	116.41
High 1944	120.44	112.75	118.80	117.40	112.93	103.64	107.62	114.27	117.60
Low 1944	119.20	110.70	118.20	116.22	110.88	99.04	103.30	113.12	116.02
High 1943	120.87	111.44	119.41	117.00	111.81	99.36	103.47	114.27	117.40
Low 1943	116.85	107.44	116.80	113.89	108.88	92.35	97.16	111.81	114.46
1 Year Ago									
Nov. 6, 1943	120.02	111.07	119.00	116.61	111.25	98.73	103.30	113.70	116.61
2 Years Ago									
Nov. 7, 1942	117.36	107.62	117.00	114.27	108.70	92.64	97.31	112.00	114.27

MOODY'S BOND YIELD AVERAGES
(Based on Individual Closing Prices)

1944— Daily Averages	U. S. Govt. Bonds	Avge. Corpo- rate*	Corporate by Ratings* Aaa	Aa	A	Baa	Corporate by Groups* R. R.	P. U.	Indus.
Nov. 7	Stock Exchange Closed								
6	1.86	3.03	2.73	2.81	3.01	3.55	3.30	2.99	2.79
4	1.87	3.02	2.73	2.81	3.01	3.54	3.30	2.99	2.79
3	1.87	3.02	2.73	2.81	3.01	3.54	3.30	2.99	2.79
2	1.87	3.03	2.73	2.81	3.01	3.55	3.31	2.99	2.79
1	1.87	3.03	2.73	2.81	3.01	3.55	3.30	2.99	2.79
Oct. 27	1.89	3.03	2.73	2.82	3.01	3.54	3.30	2.98	2.79
20	1.86	3.02	2.72	2.81	3.01	3.53	3.31	2.98	2.78
13	1.85	3.02	2.72	2.80	3.01	3.54	3.32	2.95	2.79
6	1.85	3.02	2.72	2.80	3.02	3.55	3.34	2.95	2.79
Sep. 29	1.84	3.03	2.72	2.81	3.03	3.56	3.35	2.95	2.80
22	1.86	3.03	2.72	2.79	3.04	3.56	3.35	2.95	2.79
15	1.83	3.03	2.71	2.79	3.05	3.56	3.35	2.94	2.79
8	1.84	3.03	2.71	2.79	3.06	3.56	3.35	2.94	2.80
1	1.81	3.03	2.71	2.79	3.06	3.56	3.35	2.94	2.79
Aug. 25	1.81	3.02	2.71	2.78	3.05	3.55	3.35	2.94	2.79
18	1.81	3.03	2.72	2.79	3.04	3.55	3.34	2.95	2.79
11	1.81	3.03	2.72	2.80	3.04	3.55	3.34	2.95	2.79
4	1.79	3.03	2.71	2.80	3.05	3.55	3.35	2.95	2.79
July 28	1.79	3.04	2.72	2.81	3.05	3.56	3.36	2.94	2.80
June 30	1.79	3.04	2.72	2.81	3.06	3.58	3.39	2.96	2.78
May 26	1.84	3.05	2.73	2.81	3.07	3.61	3.40	2.96	2.80
Apr. 28	1.86	3.07	2.73	2.82	3.08	3.66	3.43	2.97	2.83
Mar. 31	1.83	3.09	2.74	2.83	3.10	3.70	3.47	2.97	2.84
Feb. 25	1.81	3.10	2.74	2.83	3.11	3.73	3.49	2.98	2.84
Jan. 28	1.87	3.11	2.74	2.84	3.11	3.74	3.50	2.99	2.83
High 1944	1.87	3.13	2.74	2.84	3.12	3.81	3.55	3.00	2.85
Low 1944	1.77	3.02	2.71	2.78	3.01	3.53	3.30	2.94	2.77
High 1943	2.08	3.31	2.81	2.96	3.23	4.25	3.93	3.07	2.93
Low 1943	1.79	3.09	2.68	2.80	3.07	3.79	3.54	2.94	2.78
1 Year Ago									
Nov. 6, 1943	1.84	3.11	2.70	2.82	3.10	3.83	3.55	2.97	2.82
2 Years Ago									
Nov. 7, 1942	2.05	3.30	2.80	2.94	3.24	4.23	3.92	3.06	2.94

*These prices are computed from average yields on the basis of one "typical" bond (3¾% coupon, maturing in 25 years) and do not purport to show either the average level or the average movement of actual price quotations. They merely serve to illustrate in a more comprehensive way the relative levels and the relative movement of yield averages, the latter being the true picture of the bond market.

†The latest complete list of bonds used in computing these indexes was published in the issue of Jan. 14, 1943, page 202.

Steel Production Rises — Post-War Orders Increase—Demand for War Needs Slightly Up

"Steel order volume was heavy this past week and the output of steel ingots continued at a relatively high level, but all was not tranquil in the minds of those who make and those who buy steel," "The Iron Age" states in its issue of today (Nov. 9), further adding in part as follows: "Confusion was mounting this week as to the trouble trend of post-war steel order volume, while at the same time the popular ban on post-war talk made many with definite plans reluctant to disclose them.

"In recent weeks war needs have shown a slight increase in demand, but at the same time steel mills have had to fill gaps in their schedules as a result of partial or complete cancellations on some items. This situation has made all steel sales offices competitive minded even as they know they must and will give war requirements absolute precedence over everything else. The product mix, however, which keeps steel mills operating so that the best distribution pattern is obtained, is rearing its head higher than for some time.

"While orders for Quonset huts, ammunition and other needed war items have increased, plate directives are on the down-grade and some large manufacturers are nearing the end of some of their biggest war contracts. Thus while current order volume looks good from a statistical standpoint, steel operators are beginning to worry about enough business to adequately operate facilities after the turn of the year. The feeling is growing that with the lack of more definite reconversion plans, the first quarter of 1945 may see a drop in steel output because there is not sufficient volume of various types of steel orders to insure a normal and economic operating pattern.

"Post-war orders were still rolling into steel mills this week and the total volume of such business was definitely increasing. This type of bookings can be accepted but cannot be rolled until proper approval from WPB makes this possible. Some orders do not show exact specifications for any delivery schedules. Some are for total deliveries as soon as restrictions are off, while others are for an indefinite delivery period. Because of this situation, steel companies are in no position to make definite production plans.

"Another factor which lends credence to the possibility of a lower operating rate is the report that December lend-lease bar and semi-finished tonnage for the United Kingdom will be cancelled, thus further easing the situation in these categories. Total lend-lease tonnages for the first quarter of 1945, because of the almost disappearing demand from Great Britain, will probably not be an important factor in regular steel shipments."

The American Iron and Steel Institute on Nov. 6 announced that telegraphic reports which it had received indicated that the operating rate of steel companies having 94% of the steel capacity of the industry will be 96.3% of capacity for the week beginning Nov. 6, compared with 94.9% one week ago, 96.9% one month ago and 98.2% one year ago. The operating rate for the week beginning Nov. 6 is equivalent to 1,732.400 tons of steel ingots and castings, compared to 1,707.200 tons one week ago, 1,743.200 tons one month ago, and 1,711,600 tons one year ago.

"Steel" of Cleveland, in its summary of the iron and steel markets, on Nov. 6, stated in part as follows:

Shipbuilding requirements constitute the main factor in war requirements shrinkage, with other needs holding close to peak, including heavy projectiles, land transport and aircraft.

Smaller need for steel plates follows the decline in shipwork, which until recently was the principal factor in record-breaking plate output. The merchant ship program has been tapering at an accelerated pace, with probability that by the end of first quarter it will be relatively negligible. Navy requirements, while likely to be better sustained than the merchant program, also have been easing as a result of cut-backs during recent weeks.

Decline in ship tonnage is bringing relief to the general market because it frees more raw steel for other products. Effect on sheet and other light flat-rolled products is expected to be greatest as it also releases more finishing capacity of that product. The transformation is being subjected to some deterrents, such as need for rolling the remainder of contracts already booked and also necessity for developing sufficient trained manpower for the extra work required in processing sheets and strip, as compared with plates.

Plate requirements still are large, in spite of smaller needs and some directives have been issued recently, for nearby deliveries and also for January rollings. It is believed that by the end of the year strip plate rolling will be limited severely.

Because of an advance in No. 1 heavy melting steel at Pittsburgh the average composite of steelmaking scrap has advanced 16 cents to $16.16 per ton. This is the first upward movement of this composite since the break of several weeks ago. Finished steel composite is unchanged at $56.73, semi-finished steel at $36 and steelmaking pig iron at $23.05

Moody's Daily Commodity Index

Tuesday, Oct. 31, 1944	248.6
Wednesday, Nov. 1	245.7
Thursday, Nov. 2	247.2
Friday, Nov. 3	246.6
Saturday, Nov. 4	246.7
Monday, Nov. 6	247.6
Tuesday, Nov. 7	*
Two weeks ago, Oct. 24	248.5
Month ago, Oct. 7	250.4
Year ago, Nov. 6, 1943	244.8
1943 High, April 1	249.8
Low, Jan 2	240.2
1944 High, Oct. 3	252.5
Low, Nov. 1	245.7

*Holiday.

National Fertilizer Association Commodity Price Index Declines

The weekly wholesale commodity price index, compiled by The National Fertilizer Association and made public on Nov. 6, declined for the second consecutive week to 139.3 in the week ending Nov. 4 from 139.8† in the preceding week. A month ago this index registered 139.5 and a year ago 135.4, based on the 1935-1939 average as 100. The Association's report added:

A sharp decline in the prices of farm products was the primary cause of the decline in the all-commodity index. In the grains group higher prices were quoted on only one grade of wheat, while lower prices were given on oats, rye, and some grades of wheat, causing this group to continue a downward trend. The livestock group marked a definite decline. Hogs, which have been selling at ceiling prices for more than three months, declined in value due to an increased movement on Western markets. Also cattle, calves and ewes were lower in price. Live fowls was the only item to increase in this group. The foods group continued to trend upward, reflecting higher quotations on oranges and potatoes. Cotton prices fluctuated within a narrow range with closing quotations slightly under the previous week, causing a fractional decline in the textiles group. After having declined for some weeks, scrap steel prices increased slightly, but not sufficiently to change the metals group index number. Advancing prices for linseed oil caused a fractional increase in the building materials group, marking the first change in this group since July of this year. All other group indexes remained unchanged from the previous week.

During the week 7 price series in the index advanced and 10 declined; in the preceding week 8 series advanced and 9 declined; and in the second preceding week 8 advanced and 7 declined.

WEEKLY WHOLESALE COMMODITY PRICE INDEX
Compiled by The National Fertilizer Association
1935-1939=100*

% Each Group Bears to the Total Index	Group	Latest Week Nov. 4, 1944	Preceding Week Oct. 28, 1944	Month Ago Oct. 7, 1944	Year Ago Nov. 6, 1943
25.3	Foods	143.9	143.5	142.5	140.0
	Fats and Oils	145.1	145.1	145.1	146.1
	Cottonseed Oil	163.1	163.1	163.1	161.3
23.0	Farm Products	163.4	†166.1	165.5	154.5
	Cotton	202.3	203.4	206.6	188.9
	Grains	158.8	†159.8	162.1	155.8
	Livestock	159.0	162.7	160.5	148.4
17.3	Fuels	130.4	130.4	130.1	122.8
10.8	Miscellaneous commodities	133.4	133.4	132.2	131.4
8.2	Textiles	154.9	155.0	155.5	150.2
7.1	Metals	104.0	104.0	104.1	104.4
6.1	Building materials	154.1	154.0	154.0	152.5
1.3	Chemicals and drugs	126.1	162.1	126.1	127.7
.3	Fertilizer materials	118.3	118.3	118.3	117.7
.3	Fertilizers	119.9	119.9	119.9	119.8
.3	Farm machinery	104.7	104.7	104.7	104.2
100.0	All groups combined	139.3	†139.8	139.5	135.4

*Indexes on 1926-1928 base were: Nov. 4, 1944, 108.5; Oct. 28, †108.9; and Nov. 6, 1943, 105.5. †Revised.

What Is Inflation?

(Continued from first page)

when the nation is facing a post-war boom.

After World War II inflation will show itself in increased prices of finished products such as road machinery, crushed rock, fire trucks, and especially fire-alarm equipment. Furthermore, these increases—caused by inflation—will be in addition to the natural price increases due to greater demand and general prosperity. In fact, all the things which cities will need after the war can be bought for less now.

Reasons for Expecting More Inflation

In case someone argues with you that further inflation is not coming, give them the following three reasons:

(1) Government expenses are still in excess of Government receipts. In order for the Government to pay its bills, it must either print bonds or currency.

(2) Debtors will continue to howl for more inflation. This applies to farmers, real estate promoters and some merchants who owe money. They know that as prices of the land, houses and goods which they now own go up, it will be easier for them to sell and get out of debt.

(3) Those engaged in foreign trade are usually anxious to have the United States further devalue its dollar. When other countries devaluate, countries which do not lose trade.

Inflation is a temporary stimulant to business; but, like whiskey, its stimulating effects last for only a short time. Sooner or later increased prices offset all advantages temporarily secured by a "cheap dollar." Hence, to refer again to fire departments:

(A) In the post-war period there will be a general rise in the prices of all materials which municipalities purchase. This means that the sooner fire departments purchase new equipment and extend their fire-alarm systems the better off the cities will be. Furthermore, only common justice demands an increase in firemen's wages.

(B) As the effects of inflation become recognized there will be a demand by real estate owners, merchants and others for greater fire protection. When it costs more to replace property, the owners of buildings and merchandise will be more fearful of fires and more anxious for greater protection. Therefore city officials can now talk inflation to their citizens with the full support of all property owners.

Christmas Greeting Cards for Overseas

Postmaster Albert Goldman announced on Nov. 1 that information has been received from the Post Office Department at Washington, that the War Department advises Christmas greeting cards for soldiers overseas must be sent in sealed envelopes and prepaid at the first-class rate. The War Department further urges that such cards be mailed at once stating that cards mailed now will, according to the Army Postal Service, reach even the most remote A.P.O.'s by Dec. 25.

Hitchings Pres. of Essex County Bankers

At the fall meeting of the Essex County Bankers Association on Oct. 26, Roy A. Hitchings, President of the Irvington National Bank, Irvington, N. J., was elected President of the Association. Among the guests at the meeting was Frank D. Abell. President of the New Jersey State Bankers Association. From the Newark "Evening News" of Oct. 27 we also quote:

"Frederick J. Kugleman of the National State Bank, the retiring President, was toastmaster.

"Gustave E. Wiedenmayer of the National Newark & Essex Banking Co. was elected First Vice-President of the Association and Thomas A. Loughlin, United States Savings Bank, Second Vice-President. Herbert M. Appleton of the Verona Trust Co. was made Treasurer and Frank F. Fay Jr. of Federal Trust Co. Secretary.

Wholesale Prices Up Slightly for Week Ended October 28, Labor Department Reports

Led by higher prices for oats and rye, and seasonal advances for live poultry and eggs, the Bureau of Labor Statistics' index of commodity prices in primary markets rose slightly by 0.1% during the last week of October, it was announced by the U. S. Department of Labor on Nov. 2, which further said: The increase brought the all-commodity index to the level which prevailed at the beginning of the month, 103.9% of the 1926 average. The index is 0.1% higher than at this time last month and 1.1% over the corresponding week of 1943, according to the report which continued:

Farm Products and Foods—Average prices of farm products in primary markets rose 0.4% during the week with oats up 5% and rye nearly 4%. Live poultry prices were higher in both the Chicago and New York markets. A seasonal advance of nearly 4% was reported for eggs. Hay and wool also advanced. A few important farm products, particularly wheat, cotton, and certain fresh vegetables declined slightly.

The rise in prices for eggs largely accounted for an increase of 0.2% in average prices for foods during the week. Fruits and vegetables rose 0.1% because of higher prices for apples in the New York market and for potatoes at Boston. Oatmeal and rye flour prices increased about 3%. Quotations declined for wheat, for white potatoes at New York and Chicago, and for sweet potatoes and onions.

Industrial Commodities—Industrial commodity markets continued relatively steady. A correction in prices for coal reported as being effective in June and lower realizations for electricity brought the index for fuel and lighting materials down to 0.1%. There was an increase of nearly 1% for quicksilver, as a result of lower production and increased demand, but the index for the metals and metal products group remained unchanged. An increase of 0.1% in average prices for building materials resulted from increased ceiling prices for cement in the Southwestern states earlier in the month.

The following notation was included in the Labor Department's report:

Note—During the period of rapid changes caused by price controls, materials allocation, and rationing, the Bureau of Labor Statistics will attempt promptly to report changing prices. Indexes marked (*), however, must be considered as preliminary and subject to such adjustment and revision as required by later and more complete reports.

The following tables show (1) index numbers for the principal groups of commodities for the past three weeks, for September 30, 1944 and October 30, 1943, and the percentage changes from a week ago, a month ago, and a year ago and (2) percentage changes in subgroup indexes from October 21 to 28, 1944.

WHOLESALE PRICES FOR WEEK ENDED OCT. 28, 1944

(1926=100)

Commodity Groups—	10-28 1944	10-21 1944	10-14 1944	9-30 1944	10-30 1943	Percentage change to Oct. 28, 1944 from 10-21 1944	9-30 1944	10-30 1943
All commodities	*103.9	*103.8	*103.8	*103.8	102.8	+0.1	+0.1	+ 1.1
Farm products	123.3	122.8	122.7	122.8	122.2	+0.4	+0.4	+ 0.9
Foods	104.1	103.9	103.8	103.9	105.0	+0.2	+0.2	— 0.9
Hides and leather products	116.7	116.7	116.7	116.5	118.4	0	+0.2	— 1.4
Textile products	98.9	98.9	98.8	98.5	97.2	0	+0.4	+ 1.7
Fuel and lighting materials	83.5	83.6	83.8	83.7	81.6	—0.1	—0.2	+ 2.3
Metals and metal products	*103.8	*103.8	*103.9	*103.8	103.8	0	0	0
Building materials	116.4	116.3	116.1	115.9	112.8	+0.1	+0.4	+ 3.2
Chemicals and allied products	104.9	104.9	104.9	104.9	100.4	0	0	+ 4.5
Housefurnishing goods	106.1	106.1	106.1	106.1	104.2	0	0	+ 1.8
Miscellaneous commodities	93.4	93.4	93.4	93.4	92.9	0	0	+ 0.5
Raw materials	113.5	113.2	113.2	113.2	111.8	+0.3	+0.3	+ 4.5
Semimanufactured articles	94.7	94.7	94.6	94.3	92.8	0	+0.4	+ 2.0
Manufactured products	*101.1	*101.2	*101.2	*101.1	100.3	—0.1	0	+ 0.8
All commodities other than farm products	*99.6	*99.7	*99.7	*99.6	98.6	—0.1	0	+ 1.0
All commodities other than farm products and foods	*98.8	*98.9	*98.9	*98.8	97.5	—0.1	0	+ 1.3

*Preliminary.

PERCENTAGE CHANGES IN SUBGROUP INDEXES FROM OCT. 21, 1944 TO OCT. 28, 1944

Increases

Other foods	0.9	Livestock and poultry	0.5
Cement	0.5	Other farm products	0.3
Grains	0.5	Fruits and vegetables	0.1

Decreases

Anthracite	0.2	Bituminous coal	0.1
Cereal products	0.1		

Civil Engineering Construction $32,393,000 for Week—Gains 46% Over Preceding Week

Civil engineering construction volume for the week totals $32,393,000. This continental United States volume, not including the construction by military engineers abroad, American contracts outside the country, and shipbuilding, is 46% above the total for the preceding week, but is 8% lower than in the corresponding 1943 week, and 3% under the previous four-week moving average as reported to "Engineering News-Record." The report made public on Nov. 2, went on to say:

Public construction, with an increase of 110%, is responsible for the gain over last week, as private work is 40% lower than a week ago. Public work is 35% over the 1943 week's total, but private construction is down 63%.

The current week's construction brings 1944 volume to $1,539,149,000 for the 44 weeks, a decrease of 43% from the $2,716,958,000 reported for the corresponding 1943 period. Private construction, $319,463,000, is 19% lower than last year, and public work, $1,219,686,000, is down 48% as a result of the 53% decline in federal volume. State and municipal construction is 22% higher than in the 1943 period.

Civil engineering construction volumes for the 1943 week, last week and the current week are:

	Nov. 4, 1943	Oct. 26, 1944	Nov. 2, 1944
Total U. S. Construction	$35,206,000	$22,174,000	$32,393,000
Private Construction	15,388,000	9,442,000	5,614,000
Public Construction	19,818,000	12,732,000	26,779,000
State and Municipal	1,226,000	4,350,000	3,873,000
Federal	18,592,000	8,382,000	22,906,000

In the classified construction groups, gains over last week are in sewerage, public buildings, earthwork and drainage, streets and roads, and unclassified construction. Gains over the 1943 week are in waterworks, sewerage, industrial and public buildings, earthwork and drainage, and streets and roads. Subtotals for the week in each class of construction are: waterworks, $485,000; sewerage, $398,000; bridges, $495,000; industrial buildings, $3,689,000; commercial building and large-scale private housing, $1,400,000; public buildings, $15,569,000; earthwork and drainage, $2,153,000; streets and roads, $3,030,000; and unclassified construction, $5,174,000.

New capital for construction purposes for the week totals $16,308,000, and is made up entirely of state and municipal bond sales. The week's new financing brings 1944 volume to $1,661,796,000, a figure 45% below the $3,043,627,000 reported for the 44-week 1944 total.

Weekly Coal and Coke Production Statistics

The Solid Fuels Administration for War, U. S. Department of the Interior, in its latest report, states that the total production of soft coal in the week ended Oct. 28, 1944 is estimated at 12,150,000 net tons, an increase of 350,000 tons, or 3%, over the preceding week. In the corresponding week of 1943, output amounted to 10,026,000 tons. Cumulative production of soft coal from Jan. 1 to Oct. 28, 1944 totaled 518,555,000 tons, an increase of 5.8% over the 490,227,000 tons produced in the same period last year.

According to the U. S. Bureau of Mines, output of Pennsylvania anthracite for the week ended Oct. 28, 1944 was estimated at 1,319,000 tons, an increase of 34,000 tons (2.6%) over the preceding week. When compared with the production in the corresponding week of 1943, there was an increase of 278,000 tons, or 26.7%. The calendar year to date, shows an increase of 5.5% when compared with the same period in 1943.

The Bureau of Mines also reported that the estimated production of beehive coke in the United States for the week ended Oct. 28, 1944 showed an increase of 300 tons when compared with the output for the week ended Oct. 21, 1944; but was 47,600 tons less than for the corresponding week of 1943.

ESTIMATED UNITED STATES PRODUCTION OF COAL, IN NET TONS

Bituminous coal and lignite—	Week Ended *Oct. 28, 1944	Oct. 21, 1944	Oct. 30, 1943	January 1 to Date *Oct. 28, 1944	Oct. 30, 1943	Oct. 30, 1937
Total incl. mine fuel	12,150,000	11,800,000	10,026,000	518,555,000	490,227,000	371,415,000
Daily average	2,025,000	1,967,000	1,671,000	2,022,000	1,902,000	1,454,000

*Subject to current adjustment.

ESTIMATED PRODUCTION OF PENNSYLVANIA ANTHRACITE AND COKE

(In Net Tons)

Penn. anthracite—	Week Ended ‡Oct. 28, 1944	§Oct. 21, 1944	Oct. 30, 1943	Calendar Year to Date Oct. 28, 1944	Oct. 30, 1943	Oct. 30, 1937
*Total incl. coll. fuel	1,319,000	1,285,000	1,041,000	54,351,000	51,508,000	42,658,000
†Commercial produc.	1,266,000	1,234,000	999,000	52,176,000	49,448,000	40,525,000
Beehive coke—						
United States total	123,800	123,500	171,400	6,092,200	6,594,400	2,857,900

*Includes washery and dredge coal and coal shipped by truck from authorized operations. †Excludes colliery fuel. ‡Subject to revision. §Revised.

ESTIMATED WEEKLY PRODUCTION OF COAL, BY STATES

(In Net Tons)

(The current weekly estimates are based on railroad carloadings and river shipments and are subject to revision on receipt of monthly tonnage reports from district and State sources or of final annual returns from the operators.)

State—	Week Ended Oct. 21, 1944	Oct. 14, 1944	Oct. 23, 1943	Oct. 23, 1937
Alabama	365,000	370,000	97,000	264,000
Alaska	7,000	7,000	6,000	3,000
Arkansas and Oklahoma	101,000	98,000	92,000	112,000
Colorado	160,000	150,000	183,000	178,000
Georgia and North Carolina	1,000	1,000	1,000	*
Illinois	1,403,000	1,345,000	1,417,000	1,178,000
Indiana	551,000	552,000	346,000	351,000
Iowa	52,000	47,000	48,000	93,000
Kansas and Missouri	170,000	163,000	184,000	172,000
Kentucky—Eastern	970,000	962,000	872,000	857,000
Kentucky—Western	360,000	380,000	308,000	203,000
Maryland	31,000	35,000	35,000	34,000
Michigan	3,000	3,000	4,000	10,000
Montana (bitum. & lignite)	116,000	105,000	101,000	80,000
New Mexico	33,000	32,000	36,000	37,000
North & South Dakota (lignite)	69,000	58,000	73,000	85,000
Ohio	696,000	667,000	662,000	542,000
Pennsylvania (bituminous)	2,850,000	2,965,000	3,006,000	2,235,000
Tennessee	137,000	128,000	133,000	109,000
Texas (bituminous & lignite)	3,000	4,000	6,000	20,000
Utah	121,000	142,000	92,000	90,000
Virginia	360,000	382,000	371,000	334,000
Washington	32,000	31,000	26,000	46,000
†West Virginia—Southern	2,004,000	2,012,000	2,222,000	1,931,000
‡West Virginia—Northern	1,019,000	1,045,000	958,000	560,000
Wyoming	186,000	190,000	187,000	156,000
§Other Western States	*	1,000	1,000	*
Total bituminous & lignite	11,800,000	11,875,000	11,467,000	9,680,000
Pennsylvania anthracite	1,285,000	1,318,000	1,297,000	1,184,000
Total, all coal	13,085,000	13,193,000	12,764,000	10,864,000

†Includes operations on the N. & W.; C. & O.; Virginian; K. & M.; B. C. & G.; and on the B. & O. in Kanawha, Mason and Clay counties. ‡Rest of State, including the Panhandle District and Grant, Mineral and Tucker counties. §Includes Arizona and Oregon. *Less than 1,000 tons.

WLB Contends State Laws Cannot Be Applied to Impede War Effort

The National War Labor Board held on Oct. 26 that to settle a labor dispute affecting the war effort it could order inclusion of a maintenance-of-union membership clause in a contract regardless of any State law to the contrary. Associated Press advices from Washington on Oct. 26, as given in the New York "Herald Tribune," went on to say:

The board rejected the contention of the Cudahy Brothers Company, Cudahy, Wis., that the Board's standard membership clause, directed at the packers' plant, violated the Wisconsin Employment Peace Act.

This clause had been ordered by both the regional and national boards in a dispute between the company and the Packinghouse Workers Organizing Committee, Congress of Industrial Organizations affiliate, representing 1,400 employees.

Even if the Wisconsin act prohibited such a provision, Dr. Edwin E. Witte, public member of the Board, asserted, "this Board would still have authority to direct such a provision in settlement of a labor dispute in an establishment as important to the war effort as is the plant of this company."

"This position rests upon the fact that the nation is now at war and the winning of the war in the shortest possible time is our present greatest objective," Dr. Witte's opinion, written for the WLB, stated. "There is much support, including many Supreme Court decisions, for the view that where State laws conflict with authority fully exercised in time of war under the war powers which the Constitution confers upon the national government, the State laws cannot be applied to impede the war effort."

The opinion stated that the company's refusal to adopt a check-off provision was based on the belief it was "integrally connected with union maintenance of membership."

The check-off provision, affecting only those union members who notify the company in writing of their desire to have their dues deducted from their pay, "clearly is independent" of the union maintenance provision, said Dr. Witte.

The Board said this was the final action on the issue and gave both the union and the company until Saturday to say whether they intend to comply.

The maintenance-of-membership issue was not involved in the case recently decided by the Wisconsin Supreme Court, the opinion said. Instead, it pertained to two employees who were discharged because they had not taken out work permits under a contract provision. The court held the discharges violated the Wisconsin Employment Peace Act "making it an unfair labor practice for an employer to interfere with the free choice of employees in relation to membership or nonmembership in a labor organization," said Dr. Witte.

NRDGA to Hold Regular January Conference

At a meeting of the Board of Directors of the National Retail Dry Goods Association, held in the organization's New York offices, last month, a number of current problems were discussed at length. Considerable attention was given to the question as to whether or not the regular annual meeting of the Association should be held as usual in New York next January, the Board being desirous of conforming to the effort of the Office of Defense Transportation to conserve the use of transportation during the war. The postponement of several important divisional meetings which had been scheduled to be held last summer because it was believed the invasion was about to begin is an earnest of the desire to cooperate in this effort. On the other hand, it was recognized that these times are fraught with great problems for men in business and it was thought that a meeting of the Association in January would serve not only the interests of the trade but the larger interests of the nation.

The matter finally was referred for decision to Edward N. Allen, President of the Association and the General Manager. As a result, Messrs. Allen and Hahn decided to proceed with preparations for a stream-lined conference, which is scheduled to take place the week of Jan. 8th, at the Hotel Pennsylvania, New York. The Board received reports on the situation existing in connection with the disposal of Government surplus goods, the regulations of the WLB as they may concern the effort to recruit sufficient people to carry on the Christmas trade in the stores, the successful opening in Washington, D. C. of the course in retail sales promotion sponsored by the Association's Sales Promotion Division, the recent Absecon Conference, the Price Control situation and a number of kindred matters.

Daily Average Crude Oil Production for Week Ended Oct. 28, 1944 Decreased 4,000 Barrels

The American Petroleum Institute estimates that the daily average gross crude oil production for the week ended Oct. 28, 1944 was 4,740,900 barrels, a decline of 4,000 barrels per day from the preceding week. The current figure, however, is 32,400 barrels higher than the daily average figure recommended by the petroleum Administration for War for the month of October, 1944 and exceeds the week ended Oct. 30, 1943 by 437,950 barrels per day. Daily production for the four weeks ended Oct. 28, 1944 averaged 4,725,950 barrels. Further details as reported by the Institute follow:

Reports received from refining companies indicate that the industry as a whole ran to stills on a Bureau of Mines basis approximately 4,658,000 barrels of crude oil daily and produced 14,117,000 barrels of gasoline; 1,486,000 barrels of kerosine; 4,722,000 barrels of distillate fuel, and 8,985,000 barrels of residual fuel oil during the week ended Oct. 28, 1944; and had in storage at the end of that week 79,058,000 barrels of gasoline; 14,323,000 barrels of kerosine; 48,863,000 barrels of distillate fuel, and 64,224,000 barrels of residual fuel oil. The above figures apply to the country as a whole, and do not reflect conditions on the East Coast.

DAILY AVERAGE CRUDE OIL PRODUCTION (FIGURES IN BARRELS)

	*P. A. W. Recommendations October	*State Allowables begin. Oct. 1	Actual Production Week Ended Oct. 28, 1944	Change from Previous Week	4 Weeks Ended Oct. 28, 1944	Week Ended Oct. 30, 1943
Oklahoma	340,000	343,000	†347,350	+ 4,000	345,000	329,400
Kansas	274,000	269,400	†286,950	— 8,700	275,450	274,650
Nebraska	1,000	----	†950	----	950	1,700
Panhandle Texas			98,800	----	98,800	88,100
North Texas			148,800	----	148,800	138,300
West Texas			492,800	----	492,800	354,050
East Central Texas			149,500	----	149,500	135,250
East Texas			371,350	----	371,350	368,700
Southwest Texas			334,400	----	334,400	288,150
Coastal Texas			537,700	----	537,700	519,350
Total Texas	2,133,000	‡2,134,113	2,133,350	----	2,133,350	1,891,900
North Louisiana			73,300	+ 450	73,400	79,600
Coastal Louisiana			289,750	----	289,750	279,000
Total Louisiana	350,000	396,000	363,050	+ 450	363,150	358,600
Arkansas	78,000	80,295	80,850	+ 200	80,750	78,950
Mississippi	46,000		49,050	— 3,650	49,200	46,450
Alabama	----		200	+ 200	200	----
Florida	----		50	----	50	----
Illinois	205,000		200,250	+ 9,550	197,450	214,550
Indiana	13,500		13,100	+ 550	12,850	13,300
Eastern— (Not incl. Ill., Ind., Ky.)	72,500		68,000	+ 350	67,400	76,900
Kentucky	25,000		28,950	+ 300	26,750	25,500
Michigan	50,000		48,200	+ 3,900	49,150	51,800
Wyoming	95,000		100,850	+ 1,450	99,000	97,750
Montana	22,000		21,350	— 1,100	22,100	21,350
Colorado	8,500		9,300	— 300	9,300	7,100
New Mexico	110,000	§	104,900	----	104,450	112,550
Total East of Calif.	3,823,500		3,856,700	+ 7,200	3,836,550	3,602,450
California	885,000	§	884,200	—11,200	889,400	780,500
Total United States	4,708,500		4,740,900	— 4,000	4,725,950	4,382,950

*P.A.W. recommendations and state allowables, as shown above, represent the production of crude oil only, and do not include amounts of condensate and natural gas derivatives to be produced.

†Oklahoma, Kansas, Nebraska figures are for week ended 7:00 a.m. Oct. 26, 1944.

‡This is the net basic allowable as of Oct. 1 calculated on a 31-day basis and includes shutdowns and exemptions for the entire month. With the exception of several fields which were exempted entirely and of certain other fields for which shutdowns were ordered for from 1 to 15 days, the entire state was ordered shut down for 7 days, no definite dates during the month being specified; operators only being required to shut down as best suits their operating schedules or labor needed to operate leases, a total equivalent to 7 days shutdown time during the calendar month.

§Not yet available.

CRUDE RUNS TO STILLS; PRODUCTION OF GASOLINE; STOCKS OF FINISHED AND UNFINISHED GASOLINE, GAS OIL AND DISTILLATE FUEL AND RESIDUAL FUEL OIL, WEEK ENDED OCT. 28, 1944

(Figures in Thousands of barrels of 42 Gallons Each)

Figures in this section include reported totals plus an estimate of unreported amounts and are —therefore on a Bureau of Mines basis—

District—	Daily Refining Capacity Potential Rate	% Reporting	Crude Runs to Stills Daily Average	% Operated	§Gasoline Production at Refineries Includ. Natural Blended	‡Stocks Finished and Unfinished Gasoline	‡Stocks of Gas Oil and Distillate Fuel Oil	‡Stocks of Residual Fuel Oil
*Combin'd: East Coast, Texas Gulf, Louisiana Gulf, North Louisiana-Arkansas, and inland Texas	2,518	90.3	2,447	97.2	7,065	36,524	26,811	21,816
Appalachian—								
District No. 1	130	83.9	107	82.3	279	2,330	511	324
District No. 2	47	87.2	59	125.5	154	1,321	191	137
Ind., Ill., Ky.	824	85.2	754	91.5	2,761	16,503	7,023	3,991
Okla., Kans., Mo.	418	80.2	375	89.7	1,353	6,896	2,334	1,650
Rocky Mountain—								
District No. 3	13	17.0	11	84.6	35	61	14	29
District No. 4	141	58.3	103	73.0	377	1,444	387	590
California	817	89.9	802	98.2	2,093	13,979	11,592	35,687
Total U. S. B. of M. basis Oct. 28, 1944	4,908	87.2	4,658	94.9	14,117	†79,058	48,863	64,224
Total U. S. B. of M. basis Oct. 21, 1944	4,908	87.2	4,662	95.0	14,559	78,366	48,360	63,944
U. S. Bur. of Mines basis Oct. 30, 1943			4,184		12,756	69,092	44,713	63,785

*At the request of the Petroleum Administration for War. †Finished, 65,513,000 barrels; unfinished, 13,545,000 barrels. ‡Stocks at refineries, at bulk terminals, in transit and in pipe lines. §Not including 1,486,000 barrels of kerosine, 4,722,000 barrels of gas oil and distillate fuel oil and 8,985,000 barrels of residual fuel oil produced during the week ended Oct. 28, 1944, which compares with 1,344,000 barrels, 5,030,000 barrels and 8,889,000 barrels, respectively, in the preceding week and 1,409,000 barrels, 4,726,000 barrels and 7,987,000 barrels, respectively, in the week ended Oct. 30, 1943.

Note—Stocks of kerosine at Oct. 28, 1944 amounted to 14,323,000 barrels, as against 14,455,000 barrels a week earlier and 11,229,000 barrels a year before.

Trading on New York Exchanges

The Securitiies and Exchange Commission made public on Nov. 1 figures showing the volume of total round-lot stock sales on the New York Stock Exchange and the New York Curb Exchange and the volume of round-lot stock transactions for the account of all members of these exchanges in the week ended Oct. 14, continuing a series of current figures being published weekly by the Commission. Short sales are shown separately from other sales in these figures.

Trading on the Stock Exchange for the account of members (except odd-lot dealers) during the week ended Oct. 14 (in round-lot transactions) totaled 1,019,124 shares, which amount was 16.10% of the total transactions on the Excange of 3,164,950 shares. This compares with member trading during the week ended Oct. 7 of 1,892,322 shares, or 18.18% of the total trading of 4,927,950 shares. On the New York Curb Exchange, member trading during the week ended Oct. 14 amounted to 332,135 shares, or 16.10% of the total volume on that exchange of 1,174,730 shares; during the Oct. 7 week trading for the account of Curb members of 433,885 shares was 14.60% of total trading of 1,485,930 shares.

Total Round-Lot Stock Sales on the New York Stock Exchange and Round-Lot Stock Transactions for Account of Members* (Shares)

WEEK ENDED OCT. 14, 1944

	Total for week	†%
A. Total Round-Lot Sales:		
Short sales	79,340	
‡Other sales	3,085,610	
Total sales	3,164,950	
B. Round-Lot Transactions for Account of Members, Except for the Odd-Lot Accounts of Odd-Lot Dealers and Specialists:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	265,440	
Short sales	29,520	
‡Other sales	238,890	
Total sales	268,410	8.43
2. Other transactions initiated on the floor—		
Total purchases	127,110	
Short sales	7,960	
‡Other sales	141,820	
Total sales	149,780	4.38
3. Other transactions initiated off the floor—		
Total purchases	88,425	
Short sales	15,300	
‡Other sales	104,659	
Total sales	119,959	3.29
4. Total—		
Total purchases	480,975	
Short sales	52,780	
‡Other sales	485,369	
Total sales	538,149	16.10

Total Round-Lot Stock Sales on the New York Curb Exchange and Stock Transactions for Account of Members* (Shares)

WEEK ENDED OCT. 14, 1944

	Total for week	†%
A. Total Round-Lot Sales:		
Short sales	10,510	
‡Other sales	1,164,220	
Total sales	1,174,730	
B. Round-Lot Transactions for Account of Members:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	80,025	
Short sales	6,210	
‡Other sales	96,650	
Total sales	102,860	7.78
2. Other transactions initiated on the floor—		
Total purchases	43,800	
Short sales	1,400	
‡Other sales	31,775	
Total sales	33,175	3.28
3. Other transactions initiated off the floor—		
Total purchases	31,625	
Short sales	2,000	
‡Other sales	38,650	
Total sales	40,650	3.08
4. Total—		
Total purchases	155,450	
Short sales	9,610	
‡Other sales	167,075	
Total sales	176,685	14.14
C. Odd-Lot Transactions for Account of Specialists—		
Customers' short sales	----	
§Customers' other sales	45,100	
Total purchases	45,100	
Total sales	34,491	

*The term "members" includes all regular and associate Exchange members, their firms and their partners, including special partners.

†In calculating these percentages the total of members' purchases and sales is compared with twice the total round-lot volume on the Exchange for the reason that the Exchange volume includes only sales.

‡Round-lot short sales which are exempted from restriction by the Commission's rules are included with "other sales."

§Sales marked "short exempt" are included with "other sales."

NYSE Odd-Lot Trading

The Securities and Exchange Commission made public on Nov. 1 a summary for the week ended Oct. 21 of complete figures showing the daily volume of stock transactions for odd-lot account of all odd-lot dealers and specialists who handled odd lots on the New York Stock Exchange, continuing a series of current figures being published by the Commission. The figures are based upon reports filed with the Commission by the odd-lot dealers and specialists.

STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE

Week Ended Oct. 21, 1944

	Total for Week
Odd-Lot Sales by Dealers (Customers' purchases)	
Number of orders	17,091
Number of shares	477,484
Dollar value	$20,719,694
Odd-Lot Purchases by Dealers— (Customers' sales)	
Number of Orders:	
Customers' short sales	105
*Customers' other sales	17,386
Customers' total sales	17,491
Number of Shares:	
Customers' short sales	3,360
*Customers' other sales	434,883
Customers' total sales	438,243
Dollar value	$16,209,361
Round-Lot Sales by Dealers—	
Number of Shares:	
Short sales	140
†Other sales	112,760
Total sales	112,900
Round-Lot Purchases by Dealers:	
Number of shares	158,250

*Sales marked "short exempt" are reported with "other sales."

†Sales to offset customers' odd-lot orders, and sales to liquidate a long position which is less than a round lot are reported with "other sales."

Russia Not a Participant in International Aviation Conference in Chicago

A United States invitation to the International Aviation Conference which opened in Chicago on Nov. 1 was rejected by Russia, on Oct. 29, because of the presence of Switzerland, Portugal and Spain, described by the Moscow announcement as countries which for years have "maintained an inimical pro-Fascist policy toward the Soviet Union." This was disclosed in a United Press dispatch from Washington on Oct. 29, which added:

The Soviet rejection, broadcast by the Moscow radio and recorded in London, came after Russia originally had designated its ambassador in Washington, Andrei A. Gromyko, to head its delegation.

Authorities here said that Russia knew the three European neutrals were invited at the time it delivered its own acceptance, and that the shift indicated a "change in policy" which was not yet clear here.

It was pointed out that the countries named by Russia are important to American international aviation. The Azores, Portugal and Spain lie athwart several projected American routes to European capitals, the Middle and Far East.

Authorities said that Russia's position regarding Spain was somewhat understandable, but they were "jarred to find Portugal and Switzerland on the list."

The Swiss Legation said it had accepted the United States invitation and the Swiss delegation will include Minister Charles Bruggmann. There was no comment on Moscow's announcement. Portugal and Spain have both accepted.

The Russian Embassy declined to comment on the Moscow report, but said it might have "something for correspondents Monday morning."

American sources, although apparently discouraged that Russia will not be represented, tended to discount the effect of the decision on the outcome of the deliberations.

As far as the United States is concerned, officials said, there is no reason to feel that Russia will be unwilling to enter bilateral air transport arrangements with this country at some later date. The United States has expressed little desire to fly through Soviet air space, but would like landing rights in Moscow. Russia has indicated little if any desire to fly into the United States, it was added.

The Moscow broadcast was in the form of a statement by the official Tass news agency which follows:

"The assertion that the Soviet Government is taking part in the Civil Aviation discussions is not true. It has been revealed during the last two days that such countries as Switzerland, Portugal and Spain have been invited to take part in the discussions—countries which have maintained a hostile policy toward the Soviet Union for many years. Representatives of the Soviet Union will not take part in the conference."

Fifty-five nations had been invited to send representatives to the conference, called to discuss world air routes, in the Stevens Hotel in Chicago.

Revenue Freight Car Loadings During Week Ended Oct. 28, 1944 Increased 10,505 Cars

Loading of revenue freight for the week ended Oct. 28, 1944 totaled 916,446 cars, the Association of American Railroads announced Nov 2. This was an increase above the corresponding week of 1943 of 32,719 cars, or 3.7%, and an increase above the same week in 1942 of 25,886 cars or 2.9%.

Loading of revenue freight for the week of October 28, increased 10,505 cars, or 1.2% above the preceding week.

Miscellaneous freight loading totaled 419,350 cars, an increase of 726 cars above the preceding week, and an increase of 10,115 cars above the corresponding week in 1943.

Loading of merchandise less than carload lot freight totaled 110,003 cars, an increase of 1,971 cars above the preceding week, and an increase of 3,459 cars above the corresponding week in 1943.

Coal loading amounted to 177,146 cars, an increase of 5,323 cars above the preceding week, and an increase of 30,954 cars above the corresponding week in 1943.

Grain and grain products loading totaled 55,721 cars, a decrease of 997 cars below the preceding week and a decrease of 2,460 cars below the corresponding week in 1943. In the Western Districts alone, grain and grain products loading for the week of October 28, totaled 34,873 cars, an increase of 339 cars above the preceding week but a decrease of 4,248 cars below the corresponding week in 1943.

Livestock loading amounted to 27,479 cars, an increase of 918 cars above the preceding week and an increase of 501 cars above the corresponding week in 1943. In the Western Districts alone loading of live stock for the week of October 28 totaled 21,854 cars an increase of 397 cars above the preceding week, but a decrease of 21 cars below the corresponding week in 1943.

Forest products loading totaled 45,107 cars an increase of 2,537 cars above the preceding week and an increase of 1,196 cars above the corresponding week in 1943.

Ore loading amounted to 67,490 cars, an increase of 444 cars above the preceding week but a decrease of 9,821 cars below the corresponding week in 1943.

Coke loading amounted to 14,150 cars, a decrease of 430 cars below the preceding week, and a decrease of 1,225 cars below the corresponding week in 1943.

All districts reported increases compared with the corresponding week in 1943, except the Northwestern and all districts reported increases compared with 1942 except the Southern.

	1944	1943	1942
5 Weeks of January	3,796,477	3,531,811	3,858,479
4 weeks of February	3,159,492	3,055,725	3,122,942
4 weeks of March	3,135,155	3,073,445	3,174,781
5 weeks of April	4,068,625	3,924,981	4,209,907
4 weeks of May	3,446,252	3,363,195	3,311,637
5 weeks of June	4,343,193	4,003,393	4,139,395
4 weeks of July	3,463,512	3,455,328	3,431,395
4 weeks of August	3,579,800	3,554,694	3,487,905
5 weeks of September	4,428,427	4,456,466	4,410,669
Week of October 7	877,942	906,357	909,250
Week of October 14	898,650	912,348	901,251
Week of October 21	905,941	905,419	903,262
Week of October 28	916,446	883,727	890,560
Total	37,019,912	36,026,889	36,751,433

The following table is a summary of the freight carloadings for the separate railroads and systems for the week ended Oct. 28, 1944. During the period 78 roads showed increases when compared with the corresponding week a year ago.

REVENUE FREIGHT LOADED AND RECEIVED FROM CONNECTIONS (NUMBER OF CARS) WEEK ENDED OCT. 28

Railroads	Total Revenue Freight Loaded			Total Loads Received from Connections	
	1944	1943	1942	1944	1943
Eastern District—					
Ann Arbor	444	364	413	1,558	1,412
Bangor & Aroostook	1,986	3,104	1,867	595	199
Boston & Maine	6,819	7,079	6,649	15,035	15,814
Chicago, Indianapolis & Louisville	1,294	1,248	1,541	2,133	1,935
Central Indiana	46	36	26	67	55
Central Vermont	1,055	1,038	1,044	2,535	2,526
Delaware & Hudson	5,160	5,689	6,369	12,450	12,279
Delaware, Lackawanna & Western	7,811	7,025	7,416	10,296	11,187
Detroit & Mackinac	385	299	454	113	109
Detroit, Toledo & Ironton	1,909	2,216	1,779	1,251	1,354
Detroit & Toledo Shore Line	403	394	344	2,703	2,857
Erie	13,785	14,002	12,093	17,833	19,682
Grand Trunk Western	3,960	4,069	4,276	8,233	7,948
Lehigh & Hudson River	162	210	243	2,428	2,429
Lehigh & New England	2,291	1,461	2,043	1,588	1,415
Lehigh Valley	9,057	8,623	8,522	12,514	14,719
Maine Central	2,341	2,438	2,466	4,083	4,647
Monongahela	6,126	3,472	5,900	305	442
Montour	1,670	1,931	2,316	24	36
New York Central Lines	53,414	54,033	50,244	55,396	53,177
N. Y., N. H. & Hartford	9,857	9,940	9,686	17,616	19,204
New York, Ontario & Western	1,040	1,449	960	2,946	2,376
New York, Chicago & St. Louis	7,029	7,450	7,894	15,388	15,946
N. Y., Susquehanna & Western	497	625	376	2,163	2,037
Pittsburgh & Lake Erie	8,214	8,135	8,294	7,450	7,658
Pere Marquette	5,972	5,843	6,292	7,693	7,805
Pittsburg & Shawmut	813	935	736	21	29
Pittsburg, Shawmut & North	306	351	464	227	283
Pittsburgh & West Virginia	1,196	1,051	1,064	3,018	2,994
Rutland	402	377	345	1,290	1,347
Wabash	7,141	6,397	6,178	12,994	13,646
Wheeling & Lake Erie	5,946	5,877	5,379	4,424	4,411
Total	168,531	166,561	163,673	226,370	231,958
Allegheny District—					
Akron, Canton & Youngstown	777	733	808	1,320	1,428
Baltimore & Ohio	47,681	44,694	40,782	29,239	31,373
Bessemer & Lake Erie	5,662	6,127	5,759	1,864	1,965
Buffalo Creek & Gauley	327	348	307	6	5
Cambria & Indiana	1,634	1,494	1,855	8	4
Central R. R. of New Jersey	6,786	6,274	7,699	18,988	19,710
Cornwall	574	627	706	47	67
Cumberland & Pennsylvania	182	166	232	10	12
Ligonier Valley	126	144	134	51	43
Long Island	1,289	1,300	1,333	4,196	3,245
Penn-Reading Seashore Lines	1,802	2,002	1,986	2,573	2,945
Pennsylvania System	88,453	84,941	85,097	67,922	66,547
Reading Co.	15,623	13,937	14,726	29,203	27,209
Union (Pittsburgh)	19,595	21,154	22,132	5,772	8,000
Western Maryland	3,939	4,017	3,896	13,056	11,403
Total	194,450	187,958	187,452	174,255	173,956
Pocahontas District—					
Chesapeake & Ohio	30,628	27,151	28,545	13,542	14,509
Norfolk & Western	21,789	20,419	22,458	7,968	6,876
Virginian	4,658	4,359	4,891	2,311	2,647
Total	57,075	51,929	55,894	23,821	24,032
Southern District—					
Alabama, Tennessee & Northern	383	324	350	339	344
Atl. & W. P.—W. R. R. of Ala	806	724	756	2,646	3,333
Atlanta, Birmingham & Coast	908	722	750	1,329	1,305
Atlantic Coast Line	10,720	12,203	11,851	10,524	10,712
Central of Georgia	3,715	3,943	4,190	4,505	4,008
Charleston & Western Carolina	407	393	413	1,753	1,305
Clinchfield	1,745	1,693	1,880	3,021	2,085
Columbus & Greenville	368	348	526	284	230
Durham & Southern	159	105	140	636	390
Florida East Coast	979	1,248	966	1,236	1,564
Gainesville Midland	58	42	43	86	103
Georgia	1,164	1,130	1,352	2,469	3,382
Georgia & Florida	522	506	367	649	703
Gulf, Mobile & Ohio	5,010	4,010	4,479	4,417	4,059
Illinois Central System	31,683	29,516	30,633	18,126	18,867
Louisville & Nashville	26,184	20,255	26,169	11,428	12,474
Macon, Dublin & Savannah	210	171	203	606	775
Mississippi Central	341	267	184	537	494
Nashville, Chattanooga & St. L.	3,511	3,389	3,782	4,677	4,554
Norfolk Southern	1,059	960	1,315	1,913	2,063
Piedmont Northern	444	404	355	1,451	1,130
Richmond, Fred. & Potomac	371	357	409	9,428	10,420
Seaboard Air Line	9,444	11,048	10,515	8,599	8,550
Southern System	25,174	22,297	24,185	25,042	24,439
Tennessee Central	725	624	574	959	830
Winston-Salem Southbound	138	131	148	1,130	962
Total	126,228	116,810	126,544	117,791	119,077
Northwestern District—					
Chicago & North Western	20,641	22,612	21,029	16,002	15,220
Chicago Great Western	3,083	3,217	2,502	3,592	3,379
Chicago, Milw., St. P. & Pac.	24,252	21,546	22,175	10,941	10,706
Chicago, St. Paul, Minn. & Omaha	3,687	4,318	3,707	4,319	4,345
Duluth, Missabe & Iron Range	25,655	28,501	21,448	264	281
Duluth, South Shore & Atlantic	690	1,108	1,013	649	587
Elgin, Joliet & Eastern	9,332	8,815	9,867	10,239	11,190
Ft. Dodge, Des Moines & South	356	500	589	102	81
Great Northern	22,659	24,134	21,477	6,935	5,412
Green Bay & Western	592	624	539	962	869
Lake Superior & Ishpeming	1,500	1,283	2,757	77	53
Minneapolis & St. Louis	2,509	2,233	2,330	2,941	2,800
Minn., St. Paul & S. S. M.	7,401	8,013	7,273	3,373	3,143
Northern Pacific	13,576	14,270	14,129	6,716	5,966
Spokane International	201	114	203	505	517
Spokane, Portland & Seattle	2,768	2,393	2,737	3,366	2,977
Total	138,902	143,681	133,775	70,983	67,526
Central Western District—					
Atch., Top. & Santa Fe System	28,244	24,192	25,605	16,140	13,631
Alton	4,079	3,591	3,280	4,706	5,475
Bingham & Garfield	404	501	408	53	80
Chicago, Burlington & Quincy	23,981	21,311	22,669	16,249	13,706
Chicago & Illinois Midland	3,070	1,493	2,438	869	846
Chicago, Rock Island & Pacific	13,545	13,654	12,953	14,172	13,261
Chicago & Eastern Illinois	2,998	2,450	2,682	5,170	5,670
Colorado & Southern	1,485	1,384	1,540	3,481	2,354
Denver & Rio Grande Western	5,210	5,210	5,697	7,347	6,529
Denver & Salt Lake	746	669	882	22	19
Fort Worth & Denver City	991	1,401	1,553	2,484	1,685
Illinois Terminal	2,742	2,026	1,925	2,271	2,218
Missouri-Illinois	1,277	1,330	1,281	703	518
Nevada Northern	1,488	2,095	2,150	105	112
North Western Pacific	932	886	1,222	798	690
Peoria & Pekin Union	27	7	29	0	6
Southern Pacific (Pacific)	33,586	32,243	32,787	15,981	15,379
Toledo, Peoria & Western	288	458	430	1,978	1,923
Union Pacific System	24,098	21,383	22,461	18,682	19,261
Utah	280	599	612	1	13
Western Pacific	2,443	2,049	2,284	5,541	4,215
Total	151,914	138,932	144,948	116,758	107,591
Southwestern District—					
Burlington-Rock Island	753	247	298	645	172
Gulf Coast Lines	5,986	7,277	5,192	2,288	2,914
International-Great Northern	2,675	2,212	3,537	3,874	4,045
Kansas, Oklahoma & Gulf	204	277	385	1,044	1,272
Kansas City Southern	5,637	5,240	4,632	3,190	2,725
Louisiana & Arkansas	3,729	3,259	3,590	2,541	2,809
Litchfield & Madison	332	363	343	1,332	1,386
Midland Valley	868	695	727	602	333
Missouri & Arkansas	159	190	185	473	411
Missouri-Kansas-Texas Lines	6,730	5,917	7,197	5,356	5,082
Missouri Pacific	19,176	18,652	18,678	20,896	19,605
Quanah Acme & Pacific	66	116	133	326	255
St. Louis-San Francisco	10,669	8,529	10,117	9,457	9,493
St. Louis Southwestern	3,867	3,338	3,266	6,488	7,029
Texas & New Orleans	12,159	14,934	14,058	5,639	5,239
Texas & Pacific	6,213	7,098	5,767	7,802	7,218
Wichita Falls & Southern	84	93	144	50	70
Weatherford M. W. & N. W.	39	19	25	33	42
Total	79,346	77,856	78,274	72,036	70,100

Note—Previous year's figures revised.

Weekly Statistics of Paperboard Industry

We give herewith latest figures received by us from the National Paperboard Association, Chicago, Ill., in relation to activity in the paperboard industry.

The members of this Association represent 83% of the total industry, and its program includes a statement each week from each member of the orders and production, and also a figure which indicates the activity of the mill based on the time operated. These figures are advanced to equal 100%, so that they represent the total industry.

STATISTICAL REPORTS—ORDERS, PRODUCTION, MILL ACTIVITY

Period 1944—Week Ended	Orders Received Tons	Production Tons	Unfilled Orders Remaining Tons	Percent of Activity	
				Current	Cumulative
July 1	152,954	155,170	544,454	95	95
July 8	145,317	98,235	586,379	60	94
July 15	145,775	147,478	586,103	91	94
July 22	157,041	152,402	590,263	94	94
July 29	139,743	157,720	570,626	96	94
August 5	195,161	160,568	604,299	96	94
August 12	140,338	158,849	585,316	96	94
August 19	136,936	155,516	562,744	95	94
August 26	128,596	156,921	534,174	96	94
September 2	173,065	155,820	549,114	97	94
September 9	131,988	123,758	554,352	80	94
September 16	129,481	158,178	525,730	97	94
September 23	125,258	161,114	486,818	96	94
September 30	160,952	159,114	482,896	95	94
October 7	217,096	158,946	541,424	96	94
October 14	139,347	154,719	523,875	96	94
October 21	133,028	156,269	499,929	94	94
October 28	146,003	157,806	486,882	95	94

Notes—Unfilled orders of the prior week, plus orders received, less production, do not necessarily equal the unfilled orders at the close. Compensation for delinquent reports, orders made for or filled from stock, and other items made necessary adjustments of unfilled orders.

Factory Workers Hours And Earnings In Aug.

The average work-week in all manufacturing in August was 45.1, slightly longer than in August of last year, Secretary of Labor Frances Perkins reported on Oct. 26. "The work-week in the durable-goods group was only slightly below that in Aug. 1943 while that in the non-durable group was about ½ hour longer," she said.

Miss Perkins added:

"Each of the durable - goods groups reported a longer work-week than in July when the Independence Day holiday was observed. Total manufacturing hours per week for the durable-goods group as a whole amounted to 358 million; an increase of about 5 million. This occurred in spite of declines of employment totaling 38,000 wage earners and reflects the lengthening of the work-week from 45.7 to 46.6.

"The transportation equipment group was the only one of the major durable-goods groups which reported fewer manufacturing hours worked per week than in July. The drop in employment of 35,000 in this group more than offset the increase in the work-week from 46.8 to 47.4 hours. Total hours in this group which includes shipbuilding and aircraft still represent more than one-quarter of the total hours worked by all the durable-goods industries.

"The work-week in the non-durable group as a whole averaged 43.0 in August, the same as in July. Total hours were 2¼ million greater, however, reflecting expanding employment.

"Average hourly earnings for all manufacturing averaged $45.85, an increase of 40 cents over August 1943. The apparel group was the only major group which reported a considerable increase in hourly earnings. The increase of 2.8%, from 78.5 cents to 80.7 cents, is because New York and California apparel firms, which pay the highest rates reported expansions in employment.

"'Average weekly earnings in all manufacturing averaged $45.-85, an increase of 40 cents over July. The earnings in the durable-goods group averaged $51.79 while earnings in the nondurable-goods group amounted to $37.16.

"The average hours per week in bituminous coal mining were 44.1 and in anthracite, 40.8. The work-week in bituminous coal mining is about 9% longer than in August 1943 and weekly earnings are 13% higher than last year. In anthracite mining, the average hours per week were 3½% shorter than in August 1943, while weekly earnings were 6% greater."

Lumber Movement—Week Ended October 28, 1944

According to the National Lumber Manufacturers Association, lumber shipments of 504 mills reporting to the National Lumber Trade Barometer were 7.1% below production for the week ended Oct. 28, 1944. In the same week new orders of these mills were 20% less than production. Unfilled order files of the reporting mills amounted to 91% of stocks. For reporting softwood mills, unfilled orders are equivalent to 36 days' production at the current rate, and gross stocks are equivalent to 37 days' production.

For the year-to-date, shipments of reporting identical mills exceeded production by 2.6%; orders by 4.6%.

Compared to the average corresponding week of 1935-39, production of reporting mills was 24.6% greater; shipments were 18.3% greater; and orders were 11.0% preater.

Items About Banks, Trust Companies

Percy H. Johnston, Chairman of the Chemical Bank & Trust Co. of New York, announced on Nov. 2 the election of Saul F. Dribben to the Advisory Board of the 320 Broadway office of the bank. Mr. Dribben is President and director of the Cone Export & Commission Co., Vice-President and director of Proximity Manufacturing Co., Inc., and Revolution Cotton Mills, Inc., and a director of Appleton Co., Ashville Cotton Mills, Inc., Cliffside Mills, Eno Cotton Mills, Florence Mills, Mineola Manufacturing Co. and Salisbury Cotton Mills, Inc.

Eugene W. Stetson, Chairman of the Board of Guaranty Trust Co. of New York, announced on Nov. 1 the election of Col. Robert T. Stevens as a director of the trust company. Mr. Stevens was immediately granted leave of absence by the company to continue his duties as Deputy Director for Purchases in the Office of the Quartermaster General at Washington. Mr. Stevens resigned as President of J. P. Stevens Co., Inc., and all other business connections, when he entered military service in January, 1942, following completion on the day before Pearl Harbor of a special course at the Command and General Staff School in Fort Leavenworth. After serving in the Army as a Second Lieutenant of Field Artillery in 1918, he was graduated from Yale in 1921. He then became associated with the textile firm which had been founded by his father, and was elected to its Presidency in November, 1929. In June, 1940, he was appointed by E. R. Stettinius, Jr., as head of the Textile Section of the National Defense Advisory Commission. At the time that he entered the Army he was a trustee of The Mutual Life Insurance Co., a director of the Federal Reserve Bank of New York, the New York Telephone Co., General Foods Corp., and a number of textile manufacturing companies.

Guaranty Trust Co. of New York announced, Nov. 2, the appointment of the following officers: Stanley H. Brown, Assistant Treasurer; James R. King, Jr., Assistant Secretary, and Frank L. Jones, Assistant Credit Manager. Mr. Brown was formerly Assistant Credit Manager at the Fifth Avenue Office.

George Tompkins Connett, former President and trustee of the North River Savings Bank of New York City, died on Oct. 27 at the age of 66 years. Mr. Connett started his banking career with the Greenwich Savings Bank of New York in 1895, and 12 years later joined the North River Savings as Assistant Secretary. In 1910 he became Secretary and Treasurer of that bank, later being made a trustee; he was elected President in 1933 and continued in that position until he retired in 1940.

Andrew S. Roscoe, President of the South Brooklyn Savings and Loan Association, Brooklyn, N. Y., announced on Oct. 25 that the directors of the institution have appointed Charles J. Francois and W. Gordon Dunsmore as Assistant Secretary and Assistant Treasurer, respectively.

Richard Jarvis Helms, Vice-President of the Oceanside National Bank of Oceanside, L. I., died on Oct. 22. Prior to joining the Oceanside Bank in 1939, Mr. Helms was Assistant Secretary of the Manufacturers Trust Co. in Manhattan for 13 years, according to advices from Rockville Center to the Brooklyn "Daily Eagle."

The New York State Banking Department announced approval on Nov. 3 of an increase in the capital of the Union Trust Co. of Jamestown, N. Y., from $400,000, consisting of 8,000 shares of the par value of $50 each, to $500,000, consisting of 10,000 shares of the par value of $50 each.

George C. Lehmann, Assistant Vice-President of the Liberty Bank of Buffalo, N. Y., died on Nov. 2; he was 71 years of age. Mr. Lehmann, a former newspaper man was an executive of the Buffalo Chamber of Commerce.

In 1927 Mr. Lehmann joined the Liberty Bank as head of its business service and extension department, and in 1932 he was elected Assistant Vice-President.

While with the Chamber of Commerce, Mr. Lehmann was instrumental in organizing the Buffalo Business Federation in 1926, and served as its first Secretary.

Charles Barton Brown, Assistant Secretary of the Connecticut Savings Bank of New Haven, Conn., died on Nov. 2. Mr. Brown was connected with the real estate department of the bank. Before joining the Connecticut Savings, he was associated with the firm of Frederick M. Ward Co., realtors. Mr. Brown graduated from Yale with a civil engineer's degree, and was a member of the American Society of Civil Engineers.

William Scheerer, former Chairman of the Board of the Fidelity Union Trust Co. of Newark, N. J., died on Oct. 27; he was 89 years old. Mr. Scheerer began his banking career in 1874 with the State Trust Co. of Newark, which later became the State Banking Co. When the latter merged with the Union National Bank of Newark, Mr. Scheerer was Vice-President, and in 1902 became its President.

When, in 1921, the Fidelity Trust Co. merged with the Union National, Mr. Scheerer declined the Presidency of the combined institution and instead became Chairman of the Board of the Fidelity Union Trust Co., Mr. Scheerer held that position until he retired in 1932.

The First National Bank of Philadelphia, Philadelphia, Pa., announced on Oct. 31 that Stephen E. Sayer has been appointed an Assistant Cashier. Mr. Sayer had been an executive of the Household Finance Corp.

The Wheeling Dollar Savings & Trust Co. of Wheeling, W. Va., announces the death on Oct. 20 of George E. Carenbauer, Vice-President and Cashier of the institution.

The Cleveland "Plain Dealer" on Oct. 31 reports the appointment of William H. Waggoner as President of the Second National Bank of Ravenna, Ohio. Mr. Waggoner succeeds to the position vacated by Albert D. Reese, who had been President for seven years and who resigned to accept a post as renegotiator of war contracts for the War Department in the Cleveland Ordnance District.

Previous to his new appointment Mr. Waggoner was Cashier of the bank, a position which has been delegated to Paul E. Sander.

S. J. Poupart Honored

Sidney J. Poupart, for 61 years an active member of the New Orleans Stock Exchange, was honored on Oct. 18 with the presentation of a scroll by the membership naming him first honorary member in the Exchange's 69 year history. The New Orleans "Times Picayune" in reporting this continued:

The presentation was made by Fred N. Ogden, exchange President, at a membership meeting on Oct. 18.

Mr. Poupart joined the exchange in 1883, eight years after its establishment. Before that he had been an employee of an exchange member since 1876.

Louisville Banks Form Credit Group

Organization of a $21,900,000 credit pool in Louisville, Ky., to finance small and medium-sized business in the Louisville area during the post-war period was announced on Oct. 25 by Earl R. Muir, President of the Louisville Trust Co. and member of an American Bankers Association commission promoting the movement.

As has been made known in these columns, the American Bankers Association organized some time ago a Post-War Small Business Credit Commission, and these credit groups are being organized throughout the United States to meet the credit demands of the post-war era. Mr. Muir, a member of the ABA Post-War Small Business Credit Commission, is giving freely of his time and efforts toward furthering this organization, not only in Louisville, but elsewhere, in order that the banks will be in position to render the best possible service in the post-war era.

Donald McWain, Financial Editor of "The Courier-Journal," of Louisville, reporting on Oct. 25 the action taken in that city, said:

"All members of the Louisville Clearing House are participating in the pool, which will be known as the Louisville Bank Credit Group. The Group is set up for a five-year period, but it can be ended any time by a vote of six of its members. Any premature termination of the Group 'shall not affect any loans or commitments theretofore made,' the constitution says.

"The first meeting of the credit committee of the Group is set for Wednesday, Nov. 1. This early action makes the Louisville organization the second Group of its kind to become operative, the first having been a $100,000,000 credit pool formed by the banks of New York City. On the credit committee is one member from each of these banks: Citizens Fidelity Bank & Trust Co., First National Bank, Liberty National Bank & Trust Co., Louisville Trust Co., and Lincoln Bank & Trust Co.

"The limit line of credit will be $2,190,000. The proportion of the total that can be assumed by each bank under the agreement is as follows:

"Citizens Fidelity, 80/219ths; First National, 45/219ths; Liberty National, 25/219ths; Louisville Trust, 25/219ths; Kentucky Trust, 20/219ths; Lincoln, Bank, 15/219ths; Security Bank, 4/219ths; Stock Yards Bank, 3/219ths, and U. S. Trust, 2/219ths.

"Any bank located in the Louisville trade area may become an associate member of the Group, but such associate membership shall be applicable only to such loan or loans originated by any such bank and shall not entitle any such associate member to participation generally in the loans made by the Group, the constitution says."

The Clearing House Association statement said:

"Many of these Groups are in . . . formation throughout the country, and are a part of the program of the Postwar Small Business Credit Commission of the ABA to develop facilities for supplying adequate credit for every legitimate use. It is not proposed that these credit groups make bad or reckless loans, because such loans are of no benefit to the borrower, the bank or the community, but it is proposed that every competent man, firm and corporation needing bank credit for a constructive purpose will get it.

"Bankers . . . believe that the credit resources of the banks are sufficient to meet the credit needs of business, and that through bank credit groups, such as the Louisville Bank Credit Group, the extension of such credit, when needed, will be facilitated. . . .

"If the banks within the Louisville trade area are not in position to meet the full credit requirements of their communities, they may apply to the Louisville Bank Credit Group for the needed credit."

A $100,000,000 bank credit group was organized in New York on Sept. 25, and reference thereto appeared in our Sept. 28 issue, page 1380; a further item in the matter was given in our Oct. 19 issue, page 1700.

ABA Committee to Plan War Veteran Service

That the banks of the nation may be enabled to do all they can to help returning war veterans to resume their places satisfactorily in the life of their communities, the new American Bankers Association Committee on Service for War Veterans, at its first meeting which closed at Chicago on Oct. 28, discussed plans to aid banks in performing this latest war service. The meeting was keynoted by W. Randolph Burgess, President of the Association, who said: "These boys coming back will come to our communities and to our banks. The job we are facing is how to assimilate them into our civilian life with the greatest happiness to them and success to our social institutions."

The committee undertook an exploration of veteran problems, and in this it had the assistance of representatives of veterans' organizations, representatives of the U. S. Army, the Selective Service, the U. S. Manpower Commission and the U. S. Veterans Administration who attended its sessions, outlined the problems of discharged veterans and the plans being made to meet them. The ABA announcement further says:

"It was the consensus of the committee that loan provisions of the GI Bill of Rights law represent only one phase of the service which banks may perform for veterans. It was the opinion of the committee that the responsibilities of the banks fall into three categories, one having to do with the reemployment by banks of their own people returning from the war and employment of other veterans, another phase having to do with the services banks can render to all veterans, including loans, business counsel, trust and guardianship service, etc., and a third, the approach to general community veteran service through cooperation with agencies and organizations set up for that purpose.

"The committee recognized that the service which banks can render to veterans goes beyond the provisions of the GI Bill of Rights law and offers another opportunity to banks to render a war service which would redound to their credit. It felt that bankers can be of assistance to veterans, particularly in the realm of business and financial counsel and guidance. The committee recommended that bankers' committees for service to war veterans be organized in the various States and also where deemed necessary in the local communities. Its program envisions bankers' cooperation with government agencies and veterans' organizations serving the needs of veterans, both at the State and community levels, and that where local groups for the aid of veterans are lacking, the bankers organize necessary committees.

"The program of the committee as it is worked out will be communicated to the banks in the form of bulletins and manuals which will interpret the laws and regulations, acquaint banks with procedures being employed in various sections of the country and keep them generally up to date with information on this subject."

Checking Accounts Manual for Banks

Responding to the need of banks for information on the operation of "special" or "no minimum balance" checking accounts, and to answer the increasing number of inquiries being received on that subject, the Bank Management Commission of the American Bankers Association has prepared and is making available to Association members a manual of operating procedure for handling such accounts.

In introducing the manual, W. A. McDonnell, Chairman of the Commission, who is Vice-President of the Mercantile-Commerce Bank & Trust Co., St. Louis, Mo., said:

"This booklet deals with the subject of special checking accounts in a manner which we hope will be of service to those institutions contemplating the installation of such a banking service."

The manual of operating procedure is devoted entirely to a discussion of the "sell a checkbook plan" of special checking accounts in which the bank sells a checkbook containing 10, 15 or 20 checks to the customer. It discusses rules, regulations and restrictions which should govern such accounts and differences between special and regular accounts, as well as methods for determining fees and charges that should be made for the checks by each individual bank. The manual includes complete directions for the setting up of the special checking account plan in the bank, including reproduction of the forms to be used, as well as bookkeeping and bank procedure necessary to its successful operation, including paying and receiving department instructions.

Copies of the manual, "Special Checking Accounts — Operating Procedure," may be obtained from the Bank Management Commission of the American Bankers Association at 22 East 40th St., New York, N. Y.

FDR in Armistice Day Proclamation

In his proclamation issued Oct. 27 President Roosevelt called upon the people of the nation to observe Armistice Day, Nov. 11, "by rededicating themselves to the tasks of waging this second World War to a victorious conclusion and establishing an enduring peace." In his proclamation, the President said:

Whereas the peace has again been broken, and we and our Allies, uniting to reestablish peace under liberty, have deployed our forces by land, sea and air, and are confident of victory; and

Whereas under God we are resolved that the victories of this second World War shall produce not merely an armistice but also institutions capable of establishing a peace which shall endure; and

Whereas Senate Concurrent Resolution 18 of the 69th Congress, passed June 4, 1926 (44 Stat., 1932), requests the President of the United States to issue a proclamation calling for the observance of Nov. 11 as Armistice Day;

Now, therefore, I, Franklin D. Roosevelt, President of the United States of America, do hereby call upon the people of the United States to observe Nov. 11, 1944, as Armistice Day by rededicating themselves to the tasks of waging this second World War to a victorious conclusion and establishing an enduring peace; and I direct that the flag of the United States be displayed on all Government buildings on that day.